BLUEPRINT DESIGN LIMITED

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

LOUIS LAI & LUK CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

BLUEPRINT DESIGN LIMITED

CONTENTS

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, 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company is garment trading.

RESULTS AND APPROPRIATIONS

The results of the Company for the period 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 any dividend for the year.

SHARE CAPITAL

Details of share capital of the Company are set out in Note (13) to the financial statements.

PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (10) to the financial statements.

DIRECTORS

The directors of the Company during the year 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 (15) 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.

BLUEPRINT DESIGN LIMITED

REPORT OF THE DIRECTORS (CONT'D)

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

A permitted indemnity provision 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 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 28, 2019.

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
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 32, which comprise the statement of financial position as at March 31, 2019, 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, 2019, 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.

Key Audit Matter

We have determined that there are no key audit matters to communicate in our report.

Fundamental Uncertainty Relating to The Going Concern Basis

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2c) 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 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 K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
BLUEPRINT DESIGN LIMITED
(incorporated in Hong Kong with limited liability)

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.

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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
BLUEPRINT DESIGN LIMITED
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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.

- 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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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS 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, May 28, 2019.

BLUEPRINT DESIGN LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
REVENUE	(5)	50,493,518	32,843,013
COST OF SALES		(41,793,411)	(27,992,659)
GROSS PROFIT		8,700,107	4,850,354
OTHER INCOME AND GAIN	(5)	1,405,821	856,285
STAFF COSTS		(797,601)	(1,368,778)
DEPRECIATION EXPENSES		(16,206)	(1,709)
OTHER OPERATING EXPENSES		(22,474,843)	(10,885,367)
LOSS FROM OPERATION	(6)	(13,182,722)	(6,549,215)
FINANCE COSTS	(7)	(197,275)	(23,782)
LOSS BEFORE TAXATION		(13,379,997)	(6,572,997)
TAXATION	(8)	20,190	-
LOSS FOR THE YEAR		(13,359,807)	(6,572,997)
OTHER COMPRHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(13,359,807)	(6,572,997)

THE NOTES ON PAGES 11 TO 32 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

BLUEPRINT DESIGN LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
Non-Current Assets			
Plant and equipment	(10)	52,548	8,516
Current Assets			
Inventories	(11)	928	269
Trade receivables		8,070,738	14,321,803
Payment in advance		173,992	107,557
Prepayment		38,900	31,120
Cash and cash equivalents		139,459	117,259
		8,424,017	14,578,008
Current Liabilities			
Trade payables		7,885,458	5,315,363
Accruals and other payables		99,403	6,480
Amount due to ultimate holding company	(12)	160,011	-
Amount due to immediate holding company	(12)	86,241	1,004,017
Amounts due to fellow subsidiaries	(12)	20,005,197	14,640,412
Provision for taxation		-	20,190
		28,236,310	20,986,462
Net Current Liabilities		(19,812,293)	(6,408,454)
NET LIABLITIES		(19,759,745)	(6,399,938)
DEFICIT			
Share capital	(13)	77,800	77,800
Accumulatd losses		(19,837,545)	3,950,240
TOTAL DEFICIT		(19,759,745)	4,028,040

APPROVED BY THE BOARD OF DIRECTORS ON MAY 28, 2019 AND SIGNED ON BEHALF OF THE BOARD BY:

Deepak Kumar SETH
Director

Pallak SETH
Director

THE NOTES ON PAGES 11 TO 32 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

BLUEPRINT DESIGN LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2019

	Share capital	Retained earnings/ (Accumulated losses)	Total
	HK$	HK$	HK$
At April 1, 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 and April 1, 2018	77,800	(6,477,738)	(6,399,938)
Loss for the year and total comprehensive loss for the year	-	(13,359,807)	(13,359,807)
At March 31, 2019	77,800	(19,837,545)	(19,759,745)

THE NOTES ON PAGES 11 TO 32 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

BLUEPRINT DESIGN LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
	HK$	HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(13,379,997)	(6,572,997)
Adjustment for:		
Bank loan interest	6,523	-
Bank overdraft interest	190,752	23,782
Depreciation	16,206	1,709
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	(13,166,516)	(6,547,506)
Increase in inventories	(659)	(269)
Decrease/(Increase) in trade receivables	6,251,065	(8,845,625)
(Increase)/Decrease in prepayments	(7,780)	1,297
(Increase)/Decrease in payment in advance	(66,435)	4,341,837
Increase in trade payables	2,570,095	3,830,551
Increase/(Decrease) in accrued expenses	92,923	(9,905)
Increase in amount due to ultimate holding company	160,011	-
Increase in amount due to immediate holding company	5,364,785	1,004,017
(Decrease)/Increase in amounts due to fellow subsidiaries	(917,776)	6,334,678
Cash generated from operations	279,713	109,075
Bank loan interest paid	(6,523)	-
Bank overdraft interest paid	(190,752)	(23,782)
Net cash generated from operating activities	82,438	85,293
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment and net cash used in investing activities	(60,238)	(10,225)
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,200	75,068
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	117,259	42,191
CASH AND CASH EQUIVALENTS AT END OF YEAR	139,459	117,259
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THE NOTES ON PAGES 11 TO 32 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 ultimate holding company and immediate holding company are PDS Multinational Fashions Limited and Multinational Textile Group Limited respectively. 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 financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 (4) to the financial statements.

b. Changes in Accounting Policies and Disclosures

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Company, out of which, the following developments are relevant to the Company's financial statements:

(i) HKFRS 9, Financial instruments
(ii) HKFRS 15, Revenue from contracts with customers

None of these developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (cont'd)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Company has applied HKFRS 9 retrospectively to items that existed at April 1, 2018 in accordance with the transition requirements and there is no material effect of Company's financial results and financial position.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

A. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-tomaturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For an explanation of how the Company classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes (2g) and (2h).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at April 1, 2018 have not been impacted by the initial application of HKFRS 9.

The Company did not designate or de-designate any financial asset at FVOCI or FVPL or financial liability at FVPL at April 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)

B. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at April 1, 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at April 1, 2018 (the date of initial application of HKFRS 9 by the company):
  - the determination of the business model within which a financial asset is held; and
  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at April 1, 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Company has applied the new requirements only to contracts that were not completed before April 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

A. Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Company recognises revenue from sales of goods.

B. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Company only applied such a policy when payments were significantly deferred, which was not common in the Company's arrangements with its customers. The Company did not apply such a policy when payments were received in advance.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

C. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Company has an unconditional right to consideration. If the Company recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Company recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The adoption of HKFRS15 does not have a significant impact on the presentation of Company's contract assets and liabilities.

c. Going Concern

The immediate holding company 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.

d. Impairment of Non-Financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

d. Impairment of Non-Financial Assets (cont'd)

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 other than goodwill 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, (only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

e. Plant and Equipment

An item of plant and equipment is stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of 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 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 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 a straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life, as follows:

Computer equipment	3 years
Office equipment	3 years

An item of plant and equipment and 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 arising on derecognition 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 or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

f. Inventories

Inventories are carried at the lower of cost and net realisable value, after making due allowance for any obsolete or slow moving items.

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Inventories (cont'd)

Net realisable 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 expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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 *Financial assets carried at amortised cost* category, including trade receivables and cash and cash equivalents.

Financial assets carried at amortised cost

(i) Initial recognition and measurement

All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

(ii) Subsequent measurement

At the end of each reporting period subsequent to initial recognition, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method, less 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 amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Assets (Cont'd)

Financial assets carried at amortised cost (Cont;d)

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised 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 risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all of 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. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

(iv) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a Company of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset (an incurred 'loss event'), has 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 the debtors 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.

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 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 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 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 and all collateral has been realised or has been transferred to the Company. 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 write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Financial liabilities

Financial liabilities carried at amortised cost

The Company's financial liabilities are classified under *Financial liabilities carried at amortised cost*, including trade payables, accruals and other payables, amounts due to ultimate holding company, immediate holding company and fellow subsidiaries.

(i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

(ii) Subsequent measurement

After initial recognition, financial liabilities carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method. 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 as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

(iii) 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.

j. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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, to realise the assets and settle the liabilities simultaneously.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

k. Contract Assets and Contract Liabilities

A contract asset is recognised when the Company recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional.

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

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

l. Trade and Other Receivables

A receivable is recognised when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less impairment losses.

m. Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

n. Trade and Other Payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

o. 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 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 profit for the year. Taxable profit differs from net profit 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 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. No deferred tax asset has been recognised on the unused tax losses due to the infeasibility to predict the availability of future taxable profit for offsetting such deductible timing differences.

Deferred tax, if material, is charged or credited in the statement of profit or loss and other comprehensive income.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

q. 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.

No provision on employees' entitlements to unconsumed annual leaves as of the end of reporting period is provided in the financial statement 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.

r. Revenue Recognition

Income is classified by the company as revenue when it arises from the sale of goods in the ordinary course of the Company's business.

Revenue is recognised when control over a product is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amount collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Company, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Company takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Company's revenue and other income recognition policies are as follows:

- Revenue from sales of goods is recognized when the customers take possession of and accept the products.

- Other income is recognised on a receipt basis.

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 Company of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. 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. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected 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 consolidated 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.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

5. REVENUE, OTHER INCOME AND GAIN

	2019	2018
Revenue, other income and gain recognised during the year are as follows:	HK$	HK$
Revenue:		
Sales of goods	50,493,518	32,843,013
Other income and gain:		
Bank interest income	-	1
Claim and recovery	1,402,668	398,895
Exchanges gain, net	-	457,389
Other income	3,153	-
	1,405,821	856,285
Total revenue recognised	51,899,339	33,699,298

6. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

	2019	2018
Auditors' remuneration	28,925	12,600
Exchange loss/(gain), net	479,381	(457,389)
Deprecation	16,206	1,709
Staff costs:		
- Medicalbenefits	-	144,450
- Salaries and allowances	797,601	1,204,622
- Staff welfare	-	19,706

7. FINANCE COSTS

	2019	2018
Bank loan interest	6,523	-
Bank overdraft interest	190,752	23,782
	197,275	23,782

8. 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.

	2019	2018
	HK$	HK$
Current:		
Over-provision of taxation for pervious year	(20,190)	-

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.

9. DIRECTORS' REMUNERATION

No fees or other emoluments were paid or payable to the directors during the year.

10. PLANT AND EQUIPMENT

	Computer equipment	Office equipment	Total
Cost	HK$	HK$	HK$
At 1/4/2018	10,225	-	10,225
Additions	-	60,238	60,238
	10,225	60,238	70,463
Accumulated Depreciation			
At 1/4/2018	1,709	-	1,709
Charge for the year	2,838	13,368	16,206
At 31/3/2019	4,547	13,368	17,915
Net Carrying Amount			
At 31/3/2019	5,678	46,870	52,548
At 31/3/2018	8,516	-	8,516

11. INVENTORIES

	2019	2018
	HK$	HK$
Inventories	928	269

12. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The amounts due to ultimate holding company/immediate holding company/fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

13. SHARE CAPITAL

	2019		2018	
	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. COMMITMENTS

At the end of the reporting period, the Company did not have any significant commitments.

15. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Company's principal financial instrument comprises cash and cash equivalents. The main purpose of the financial instrument is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

BLUEPRINT DESIGN LIMITED

NOTES TO THE FINANCIAL STATEMENTS

15. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any financial institution.

Foreign currency risk

The Company operates internationally and is primarily exposed to foreign exchange risk arising from currency exposures of the United States dollars, with respect to the Hong Kong dollar. The Company will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(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 related.

2019
(Expressed in HK$)

	USD	GBP	Total
Prepayment	38,900	-	38,900
Payment in advance	173,992	-	173,992
Trade receivables	8,070,738	-	8,070,738
Trade payables	(3,720,906)	(4,164,552)	(7,885,458)
Accruals and other payables	99,404	-	99,404
Cash and cash equivalents	58,297	65,215	123,512
Net exposure arising from recognised assets and liabilities	4,720,425	(4,099,337)	621,088

2018
(Expressed in HK$)

	USD	GBP	Total
Prepayment	31,120	-	31,120
Payment in advance	107,557	-	107,557
Trade receivables	14,321,803	-	14,321,803
Trade payables	(5,315,363)	-	(5,315,363)
Cash and cash equivalents	117,325	-	117,325
Net exposure arising from recognised assets and liabilities	9,262,442	-	9,262,442

14. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Foreign 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.

	2019		2018	
	Increase	Decrease	Increase	Decrease
	HK$	HK$	HK$	HK$
British Pounds (GBP)	(409,934)	409,934	-	-
United States Dollar (USD)	-	-	-	-
	(409,934)	409,934	-	-

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.

Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any financial institution.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

14. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Interest rate risk

The Company has no significant interest bearing assets except cash and cash equivalents. Its income and operating cash flows are substantially independent of changes in market interest rates.

Sensitivity analysis

At March 31, 2019, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, interest expenses and loss before taxation for the year ended March 31, 2019 would increase/decrease by a net amount of HK$16,472 (2018:HK$1,986). The carrying amount of financial asset/liability measured at amortized cost and the carrying amount of financial asset/liability bearing interest rate measured at fair value would not be affected by the assumed 100 basis points increase/decrease in interest rate.

Although a financial asset or financial liability may be subject to interest rate risk, its carrying amount may not necessarily be affected by the assumed 100 basis points increase in market interest rates.

15. RELATED PARTY TRANSACTIONS

During normal course of business, the Company had the following transactions with the related parties below.

Name of Company	Relationship	Nature of transaction	2019	2018
			HK$	HK$
Norwest Industries Limited	Fellow subsidiary	- Sample charges	9,405	7,853
		- Commission expenses	-	183,407
PDS Asia Star Corporation Limited	Fellow subsidiary	- Sample charges	-	49,656
Mutinational Textile Group Limited	Fellow subsidiary	- Corporate expenses	344,965	670,815
		- Recharge expenses	-	333,202
360 Notch Limited	Fellow subsidiary	- Commission expenses	33,619	-

16. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended March 31, 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	January 1, 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	January 1, 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	January 1, 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	January 1, 2019

The Company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

18. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Company's Board of Directors on May 28, 2019.

Company Registration No. 06060342 (England and Wales)

CASA FORMA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

UHY Hacker Young
Chartered Accountants

CASA FORMA LIMITED

COMPANY INFORMATION

Directors	Mr P Seth Mr A Banaik
Company number	06060342
Registered office	Quadrant House 4 Thomas More Square London E1W 1YW
Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW

CASA FORMA LIMITED

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CASA FORMA LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Results and dividends
The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr P Seth
Mr A 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 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

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

On behalf of the board

A Banaik
....

Mr A Banaik

Director

Date: 23 May 19

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CASA FORMA LIMITED

Opinion

We have audited the financial statements of Casa Forma Limited (the 'company') for the year ended 31 March 2019 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CASA FORMA LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF CASA FORMA LIMITED

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.

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.

Vinodkumar Vadgama (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young

24 May 2019

Chartered Accountants
Statutory Auditor

CASA FORMA LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Revenue	2	18,478	39,415
Cost of sales		(15,747)	(34,610)
Gross profit		2,731	4,805
Administrative expenses		(81,452)	(87,679)
Other operating income		-	2,518
Operating loss	3	(78,721)	(80,356)
Tax on loss		-	-
Loss and total comprehensive income for the financial year	10	(78,721)	(80,356)

The income statement has been prepared on the basis that all operations are continuing operations.

CASA FORMA LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Non-current assets			
Property, plant and equipment	5	1,041	1,388
Current assets			
Inventories	6	9,801	19,601
Trade and other receivables	7	80,689	37,819
Cash and cash equivalents		2,088	1,349
		92,578	58,769
Current liabilities			
Trade and other payables	8	21,759	584,566
Taxation and social security		63	73
		21,822	584,639
Net current assets/(liabilities)		70,756	(525,870)
Total assets less current liabilities		71,797	(524,482)
Net assets/(liabilities)		71,797	(524,482)
Equity			
Called up share capital	9	925,000	250,000
Retained earnings	10	(853,203)	(774,482)
Total equity		71,797	(524,482)

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MARCH 2019

The financial statements were approved by the board of directors and authorised for issue on 23 may 19 and are signed on its behalf by:

....
Mr A Banaik
Director

Company Registration No. 06060342

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Share capital £	Retained earnings £	Total £
Balance at 1 April 2017		250,000	(694,126)	(444,126)
Year ended 31 March 2018:				
Loss and total comprehensive income for the year		-	(80,356)	(80,356)
Balance at 31 March 2018		250,000	(774,482)	(524,482)
Year ended 31 March 2019:				
Loss and total comprehensive income for the year		-	(78,721)	(78,721)
Issue of share capital	9	675,000	-	675,000
Balance at 31 March 2019		925,000	(853,203)	71,797

CASA FORMA LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash absorbed by operations	**14**		(596,187)		(14,077)
Net cash outflow from operating activities			(596,187)		(14,077)
Net cash used in investing activities			-		-
Financing activities					
Proceeds from issue of shares		596,926		-	
Net cash generated from/(used in) financing activities			596,926		-
Net increase/(decrease) in cash and cash equivalents			739		(14,077)
Cash and cash equivalents at beginning of year			1,349		15,426
Cash and cash equivalents at end of year			2,088		1,349

1 Accounting policies

Company information

Casa Forma Limited is a private company limited by shares incorporated in England and Wales. The registered office is Quadrant House, 4 Thomas More Square, London, E1W 1YW.

1.1 Accounting convention

The company meets the definition of a qualifying entity under FRS 101, The Financial Reporting Standard applicable in the UK and Republic of Ireland. These financial statements for the year ended 31 March 2019 are the first financial statements of Casa Forma Limited prepared in accordance with FRS 101. The company transitioned from EU-adopted IFRS to FRS 101 for all periods presented and the date of transition to FRS 101 was 1 April 2017.

The reported financial position and financial performance for the previous period are not affected by the transition to FRS 101.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, standards not yet effective and impairment of assets.

Where required, equivalent disclosures are given in the group accounts of PDS Multinational Fashions Limited. The group accounts of PDS Multinational Fashions Limited are available to the public and can be obtained as set out in note 13.

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. 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.

1 Accounting policies **(Continued)**

1.3 Revenue

The revenue in the state of comprehensive income represents amounts invoiced during the year and includes design fees and other income exclusive of Value Added Tax. For the procurement income revenue is recognised on project completion exclusive of Value Added Tax.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Computer equipment	25% Reducing Balance Basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.5 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.6 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

1.7 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

1.9 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.10 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

1 Accounting policies (Continued)

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

2 Revenue

	2019	2018
	£	£
Revenue analysed by class of business		
Design Fees	18,478	39,415

3 Operating loss

	2019	2018
	£	£
Operating loss for the year is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	2,875	3,957
Depreciation of property, plant and equipment	347	92
Cost of inventories recognised as an expense	15,747	34,610

4 Employees

The average monthly number of persons (including directors) employed by the company during the year was 2 (2018: 2)

5 Property, plant and equipment

	Computer equipment
	£
Cost	
At 31 March 2018	4,680
At 31 March 2019	4,680
Accumulated depreciation and impairment	
At 31 March 2018	3,292
Charge for the year	347
At 31 March 2019	3,639
Carrying amount	
At 31 March 2019	1,041
At 31 March 2018	1,388

6 Inventories

	2019	2018
	£	£
Finished goods	9,801	19,601

7 Trade and other receivables

	2019	2018
	£	£
Trade receivables	2,615	37,819
Unpaid share capital	78,074	-
	80,689	37,819

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

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.

8 Trade and other payables

	Current 2019	2018
	£	£
Trade payables	1,745	543
Amount owed to parent undertaking	-	561,925
Amounts owed to fellow group undertakings	17,164	19,248
Accruals	2,850	2,850
	21,759	584,566

9 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and not fully paid		
925,000 Ordinary Shares of £1 each	925,000	250,000
	925,000	250,000

(Continued)

9 **Share capital**	**2019**	**2018**

Reconciliation of movements during the year:

	Number
At 1 April 2018	250,000
Issue of fully paid shares	596,926
Issue of unpaid shares	78,074
At 31 March 2019	925,000

The ordinary shares issued during the year have the same rights as the ordinary share capital allotted previously. 78,074 share issued during the year are expected to be fully paid during the coming year.

10 Retained earnings

	2019	**2018**
	£	**£**
At the beginning of the year	(774,482)	(694,126)
Loss for the year	(78,721)	(80,356)
At the end of the year	(853,203)	(774,482)

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 of stakeholders through the optimisation of equity balance. The capital structure of the company consists of cash and cash equivalents and equity attributable to equity holders of the parent, compromising of issued capital, reserves and retained earnings.

12 Related party transactions

At the year-end the company paid its parent and fellow group undertakings the following:

- During the year the company issued new shares worth £675,000 to Multinational Textile Group Limited. These shares were partly paid through the outstanding loan of £596,926 (2018: £561,926). Balance due from Multinational Textile Group Limited a the year end amounted to £78,074 (2018: £Nil).

- Poeticgem Limited was owed £17,164 (2018: 19,248).

Poeticgem Limited and the company are fellow subsidiaries of Multinational Textile Group Limited.

13 Controlling party

The immediate parent companies 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.

The directors regard Multinational Textile Group Limited as the smallest group and PDS Multinational Fashions Limited as the largest group into which the company is consolidated.

14 Cash generated from operations

	2019	2018
	£	£
Loss for the year after tax	(78,721)	(80,356)
Adjustments for:		
Depreciation and impairment of property, plant and equipment	347	92
Movements in working capital:		
Decrease in inventories	9,800	19,601
Decrease/(increase) in trade and other receivables	35,204	(6,536)
(Decrease)/increase in trade and other payables	(562,817)	53,122
Cash absorbed by operations	(596,187)	(14,077)

CASA FORMA LIMITED

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 MARCH 2019

CASA FORMA LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2019

		2019		2018
	£	£	£	£
Revenue				
Sales of goods		18,478		39,415
Cost of sales				
Opening stock of finished goods	19,601		39,202	
Finished goods purchases	5,947		15,009	
Closing stock of finished goods	(9,801)		(19,601)	
		(15,747)		(34,610)
Gross profit		2,731		4,805
Other operating income				
Rent receivable		-		2,518
Administrative expenses		(81,452)		(87,679)
Operating loss		(78,721)		(80,356)

CASA FORMA LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018
	£	£
Administrative expenses		
Cleaning	140	-
Computer running costs	1,953	2,056
Entertainment, travelling and motor expenses	-	2,019
Professional subscriptions	-	728
Legal and professional fees	283	3,785
Consultancy fees	18,144	44,914
Accountancy	169	508
Audit fees	2,875	3,957
Bank charges	432	1,778
Bad and doubtful debts	34,841	-
Insurances (not premises)	2,884	5,100
Printing and stationery	348	110
Advertising	18,859	22,039
Telecommunications	178	593
Sundry expenses	(1)	-
Depreciation	347	92
	81,452	87,679

Company Registration No. 10440973 (England and Wales)

DESIGN ARC UK LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

UHY Hacker Young
Chartered Accountants

DESIGN ARC UK LIMITED

COMPANY INFORMATION

Directors	Mr D Burman Mr R Chadha Mrs P Seth
Secretary	Mr K Kanodia
Company number	10440973
Registered office	Quadrant House 4 Thomas More Square London E1W 1YW
Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW

DESIGN ARC UK LIMITED

CONTENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Principal activities
The principal activity of the company continued to be that of importing and distribution of garments.

Results and dividends
The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr D Burman
Mr R Chadha
Mrs P Seth

Auditor
The auditor, UHY Hacker Young, is 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation 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 provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

Rakesh Chadha

....

Mr R Chadha

Director

Date: 24 May 2019

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF DESIGN ARC UK LIMITED

Opinion

We have audited the financial statements of Design ARC UK Limited (the 'company') for the year ended 31 March 2019 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF DESIGN ARC UK LIMITED

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of 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.

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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.

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.

Vinodkumar Vadgama (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young ....

Chartered Accountants
Statutory Auditor

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Year ended 31 March 2019 £	Period ended 31 March 2018 £
Revenue	3	2,212,830	989,644
Distribution costs		(435,058)	(89,760)
Administrative expenses		(1,723,714)	(1,037,559)
Operating profit/(loss)	4	54,058	(137,675)
Tax on profit/(loss)		-	-
Profit/(loss) and total comprehensive income for the financial year	14	54,058	(137,675)

The income statement has been prepared on the basis that all operations are continuing operations.

DESIGN ARC UK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Non-current assets			
Property, plant and equipment	8	14,094	14,670
Current assets			
Trade and other receivables	9	254,708	168,991
Cash and cash equivalents		139,933	160,862
		394,641	329,853
Current liabilities			
Trade and other payables	11	408,466	403,843
Taxation and social security		33,886	28,355
		442,352	432,198
Net current liabilities		(47,711)	(102,345)
Total assets less current liabilities		(33,617)	(87,675)
Net liabilities		(33,617)	(87,675)
Equity			
Called up share capital	13	50,000	50,000
Retained earnings	14	(83,617)	(137,675)
Total equity		(33,617)	(87,675)

The financial statements were approved by the board of directors and authorised for issue on 24 May 2019 and are signed on its behalf by:

Rakesh Chadha

....

Mr R Chadha

Director

Company Registration No. 10440973

DESIGN ARC UK LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Share capital £	Retained earnings £	Total £
Balance at 24 October 2016		-	-	-
Period ended 31 March 2018:				
Loss and total comprehensive income for the period		-	(137,675)	(137,675)
Issue of share capital	13	50,000	-	50,000
Balance at 31 March 2018		50,000	(137,675)	(87,675)
Period ended 31 March 2019:				
Profit and total comprehensive income for the period		-	54,058	54,058
Balance at 31 March 2019		50,000	(83,617)	(33,617)

DESIGN ARC UK LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	20		(16,279)		129,079
Net cash (outflow)/inflow from operating activities			(16,279)		129,079
Investing activities					
Purchase of property, plant and equipment		(4,650)		(18,217)	
Net cash used in investing activities			(4,650)		(18,217)
Financing activities					
Proceeds from issue of shares		-		50,000	
Net cash (used in)/generated from financing activities			-		50,000
Net (decrease)/increase in cash and cash equivalents			(20,929)		160,862
Cash and cash equivalents at beginning of year			160,862		-
Cash and cash equivalents at end of year			139,933		160,862

1 Accounting policies

Company information

Design ARC UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is Quadrant House, 4 Thomas More Square, London, E1W 1YW.

1.1 Accounting convention

The company meets the definition of a qualifying entity under FRS 101, The Financial Reporting Standard applicable in the UK and Republic of Ireland. These financial statements for the year ended 31 March 2019 are the first financial statements of Design ARC UK Limited prepared in accordance with FRS 101. The company transitioned from EU-adopted IFRS to FRS 101 for all periods presented and the date of transition to FRS 101 was 1 April 2017.

The reported financial position and financial performance for the previous period are not affected by the transition to FRS 101.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, standards not yet effective and impairment of assets.

Where required, equivalent disclosures are given in the group accounts of PDS Multinational Fashions Limited. The group accounts of PDS Multinational Fashions Limited are available to the public and can be obtained as set out in note 19.

1 Accounting policies (Continued)

1.2 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 £47,711 (2018: £102,345).

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.

1.3 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.

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	20% reducing balance method
Computers	20% reducing balance method

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.5 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Accounting policies **(Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

1 Accounting policies (Continued)

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.9 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1 Accounting policies (Continued)

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about such judgements and estimates is contained in either the accounting policies or in the notes to the financial statements.

3 Revenue

	2019	2018
	£	£
Revenue analysed by class of business		
Commission receivable	2,212,830	989,644

4 Operating profit/(loss)

	2019	2018
	£	£
Operating profit/(loss) for the period is stated after charging/(crediting):		
Depreciation of property, plant and equipment	5,226	3,547

5 Auditor's remuneration

	2019	2018
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the company	5,572	5,500
For other services		
Other services	5,250	-

6 Employees

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

	2019	2018
	Number	Number
Design	23	19
Sales	2	2
Managment	1	1
	26	22

6 Employees (Continued)

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	1,035,347	717,073
Social security costs	107,728	74,996
Pension costs	10,995	3,732
	1,154,070	795,801

7 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	173,327	129,000
Company pension contributions to defined contribution schemes	965	528
	174,292	129,528

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018 - 1).

8 Property, plant and equipment

	Fixtures and fittings	Computers	Total
	£	£	£
Cost			
At 31 March 2018	18,217	-	18,217
Additions	-	4,650	4,650
At 31 March 2019	18,217	4,650	22,867
Accumulated depreciation and impairment			
At 31 March 2018	3,547	-	3,547
Charge for the year	3,676	1,550	5,226
At 31 March 2019	7,223	1,550	8,773

8 Property, plant and equipment

(Continued)

	Fixtures and fittings	Computers	Total
	£	£	£
Carrying amount			
At 31 March 2019	10,994	3,100	14,094
At 31 March 2018	14,670	-	14,670

9 Trade and other receivables

	2019	2018
	£	£
Other receivables	21,235	44,266
VAT recoverable	13,592	5,126
Amounts owed by fellow group undertakings	219,881	111,460
Prepayments	-	8,139
	254,708	168,991

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 Fair value of financial liabilities

The directors consider that the carrying amounts of financial liabilities carried at amortised cost in the financial statements approximate to their fair values.

11 Trade and other payables

	Current 2019 £	2018 £
Trade payables	10,795	704
Amounts owed to fellow group undertakings	321,135	365,361
Accruals	7,143	5,500
Other payables	69,393	32,278
	408,466	403,843

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.

12 Retirement benefit schemes

Defined contribution schemes
The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £10,995 (2018: £3,732)

13 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000
	50,000	50,000

14 Retained earnings

	2019	2018
	£	£
At the beginning of the year	(137,675)	-
Profit/(loss) for the year	54,058	(137,675)
At the end of the year	(83,617)	(137,675)

15 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2019	2018
	£	£
Minimum lease payments under operating leases	105,052	43,997

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

	2019	2018
	£	£
Within one year	28,250	28,250
Between two and five years	34,984	63,234
	63,234	91,484

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.

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

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 2019, the company held cash and cash equivalents of £139,933 (2018: £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 Related party relationships and transactions

During the year, the company entered into transactions, in the ordinary course of business, with the following related parties;

	Value of services (sold)/ purchased by the company		Balance included within (trade creditors)/trade debtors at year end	
	2019 £	2018 £	2019 £	2018 £
Poeticgem Limited, UK	-	-	(119,855)	(164,081)
Techno Design HK Limited, Hong Kong	-	-	919	-
Norwest Industries Limited, Hong Kong	-	-	(201,280)	(201,280)
Design Arc Asia Limited, Hong Kong	(2,212,829)	(989,642)	218,264	110,973
	416,904	-	-	-
Progress Apparel Bangladesh Limited, Bangladesh	-	-	487	487
Parc Design Private Limited	-	-	212	-

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.

Parc Designs Private Limited and Global Textile Group Limited are subsidiaries of PDS Multinational Fashions Limited.

Techno Design HK Limited, Hong Kong is a subsidiary of Multinational Textiles Group Limited

The above balances are interest free and repayable on demand.

19 Controlling party

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.

The directors regard Global Textile Group Limited as the smallest group and PDS Multinational Fashions Limited as the largest group into which the company is consolidated.

20 Cash generated from operations

	2019	2018
	£	£
Profit/(loss) for the year after tax	54,058	(137,675)
Adjustments for:		
Depreciation and impairment of property, plant and equipment	5,226	3,547
Movements in working capital:		
Increase in trade and other receivables	(85,717)	(168,991)
Increase in trade and other payables	10,154	432,198
Cash (absorbed by)/generated from operations	(16,279)	129,079

DESIGN ARC UK LIMITED

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 MARCH 2019

DESIGN ARC UK LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2019

		Year ended 31 March 2019		Period ended 31 March 2018
	£	£	£	£
Revenue				
Sales of goods		2,212,830		989,644
Distribution costs	435,058		89,760	
Administrative expenses	1,723,714		1,037,559	
		(2,158,772)		(1,127,319)
Operating profit/(loss)		54,058		(137,675)

DESIGN ARC UK LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MARCH 2019

	Year ended 31 March 2019 £	Period ended 31 March 2018 £
Distribution costs		
Handling / Transport	387,012	36,712
Testing charges	335	341
Designing charges	7,540	3,076
Claims & penalties	-	43,462
Storage charges	1,802	-
Samples	38,369	6,169
	435,058	89,760
Administrative expenses		
Wages and salaries	863,347	588,073
Social security costs	107,728	74,996
Staff recruitment costs	5,160	6,320
Staff welfare	13,703	2,819
Staff pension costs defined contribution	10,030	3,204
Directors' remuneration	172,000	129,000
Directors' pension costs - defined contribution scheme	965	528
EPN Charges	30,473	-
Rent re operating leases	103,250	43,997
Rates	13,384	13,838
Cleaning	5,452	2,909
Power, light and heat	3,791	2,769
Property repairs and maintenance	1,831	1,621
Computer running costs	6,342	4,929
Motor running expenses	18,352	6,226
Travelling expenses	228,710	29,136
Postage, courier and delivery charges	39,867	6,850
Legal and professional fees	2,065	15,143
Consultancy fees	51	48,855
Audit fees	10,822	5,500
Charitable donations	11,000	20,000
Bank charges	378	73
Insurances (not premises)	294	1,293
Printing and stationery	9,947	1,697
Books, periodicals, reference materials	11,047	-
Advertising	-	500
Telecommunications	19,399	5,647
Other office supplies	19,590	15,799
Entertaining	6,832	1,779

DESIGN ARC UK LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019

	Year ended 31 March 2019 £	Period ended 31 March 2018 £
Sundry expenses	2,678	511
Depreciation	5,226	3,547
	1,723,714	1,037,559

KPMG

KPMG Lower Gulf Limited
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Independent Auditors' Report

To the Shareholders of Design Arc FZCO

Opinion

We have audited the financial reporting package for Design Arc FZCO ("the Company") which comprise the balance sheet as at 31 March 2019 and the statements of profit or loss for the period Jan 17, 2019 to March 31, 2019.

In our opinion, the accompanying financial reporting package is prepared in all material respects, in accordance with the Group accounting policies of Multinational Textile Group Limited ("Group accounting policies"), attached as Appendix 1.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Group financial reporting package* 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 ethical requirements that are relevant to our audit of the group financial reporting package and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Basis of Accounting and Restriction on Use

The Group financial reporting package is prepared to assist the management to prepare the consolidated financial statements of Multinational Textiles Group Limited ("the Holding Company") and its subsidiaries (collectively referred to as "the Group"). As a result, the financial reporting package may not be suitable for another purpose. Our report is not modified in respect of this matter.

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Responsibilities of Management and Those Charged with Governance for the financial reporting package

Management is responsible for the preparation of the financial reporting package in accordance with the Group accounting policies, and for such internal control as management determines is necessary to enable the preparation of financial reporting package that are free from material misstatement, whether due to fraud or error.

In preparing the financial reporting package, 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.

Auditors' Responsibilities for the Audit of the financial reporting package

Our objectives are to obtain reasonable assurance about whether the financial reporting package as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 International Standards on Auditing 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 reporting package.

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

- Identify and assess the risks of material misstatement of the financial reporting package, 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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KPMG

Auditors' Responsibilities for the Audit of the financial reporting package (continued)

- 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 auditors' report to the related disclosures in the financial reporting package 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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.

KPMG

KPMG Lower Gulf Limited
Date: 23 MAY 2019

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Design Arc FZCO
Statement of financial position as at March 31, 2019

	AED
Current assets	
Prepaid rent	155,572
Total current assets	**155,572**
Current liabilities	
Audit fee payable	5,000
Due to a related party	130,056
Total current liabilities	**135,056**
Net assets	**20,516**
Represented by:	
Share capital	100,000
Accumulated losses	(79,484)
	20,516

For and on behalf of the Board

ديزاين ايه ارسي ش.م.ح
DAFZA
Dubai - U.A.E
DESIGN ARC FZCO

Design Arc FZCO
Statement of Profit and Loss for the 74 day period ended March 31, 2019

	AED
Administrative and general expenses	79,484
Net loss	**79,484**

Administrative and general expenses	
License Fees	15,000
Legal & Professional Charges	11,813
Auditors' Remuneration	5,000
Rent - Office	39,561
Rates & Taxes (Local)/Regn Fees	8,110
	79,484

Multinational Textile Group Limited and its subsidiaries

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

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.

Report of the Directors and Audited Financial Statements

FX IMPORT HONG KONG LIMITED

31 March 2019

CERTIFIED TRUE COPY

ERNST & YOUNG

EY 安永
Building a better working world

FX IMPORT HONG KONG LIMITED

CONTENTS

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2019.

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 2019 and its financial position at that date are set out in the financial statements on pages 6 to 39.

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 article 7 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 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

....
Deepak Kumar Seth
Chairman

Hong Kong
28 May 2019

EY 安永

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Independent auditors' 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 39, which comprise the statement of financial position as at 31 March 2019, 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 2019, 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 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.

A member firm of Ernst & Young Global Limited

Independent auditors' report (continued)
To the member of FX Import Hong Kong 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 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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Independent auditors' report (continued)
To the member of FX Import Hong Kong 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
28 May 2019

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FX IMPORT HONG KONG LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
REVENUE	4	47,593,157	84,943,547
Cost of sales		(37,358,599)	(67,195,797)
Gross profit		10,234,558	17,747,750
Other income	4	1,822,258	804,461
Selling and distribution expenses		(2,025,346)	(9,567,565)
Administrative expenses		(9,317,057)	(7,783,611)
Other operating expenses		(310,760)	(148,652)
Finance costs	6	(49,093)	(123,625)
PROFIT BEFORE TAX	5	354,560	928,758
Income tax expense	8	-	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		354,560	928,758

FX IMPORT HONG KONG LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$	2018 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	9	38,376	65,562
Deposits	11	85,390	102,083
Total non-current assets		123,766	167,645
CURRENT ASSETS			
Trade receivables	10	6,059,813	8,299,513
Prepayments, deposits and other receivables	11	2,078,850	2,731,581
Due from a fellow subsidiary	17(b)	3,698,103	2,515,554
Cash and cash equivalents		3,175,716	2,972,010
Total current assets		15,012,482	16,518,658
CURRENT LIABILITIES			
Trade payables		7,556,828	7,293,682
Other payables and accruals	12	1,016,834	547,658
Interest-bearing bank borrowings	13	-	3,244,868
Due to the immediate holding company	17(b)	2,444,338	1,809,773
Due to an intermediate holding company		147,042	147,820
Total current liabilities		11,165,042	13,043,801
NET CURRENT ASSETS		3,847,440	3,474,857
Net assets		3,971,206	3,642,502

continued/

FX IMPORT HONG KONG LIMITED

STATEMENT OF FINANCIAL POSITION (continued)

31 March 2019

	Note	2019 HK$	2018 HK$
EQUITY			
Share capital	14	10,000	10,000
Retained profits		3,961,206	3,632,502
Total equity		3,971,206	3,642,502

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Pallak Seth
Director

....
Deepak Kumar Seth
Director

FX IMPORT HONG KONG LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Note	Share capital HK$	Retained profits HK$	Total equity HK$
At 1 April 2017		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
Effect of adoption of HKFRS 9	2.2	-	(25,856)	(25,856)
At 1 April 2018 (restated)		10,000	3,606,646	3,616,646
Profit and total comprehensive income for the year		-	354,560	354,560
At 31 March 2019		10,000	3,961,206	3,971,206

FX IMPORT HONG KONG LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		354,560	928,758
Adjustments for:			
Interest income	4	(1,849)	(169)
Finance costs	6	49,093	123,625
Depreciation	5	37,221	45,707
Reversal of impairment of trade receivables	5	(7,473)	-
		431,552	1,097,921
Decrease/(increase) in trade receivables		2,221,317	(1,238,589)
Decrease/(increase) in prepayments, deposits and other receivables		669,424	(2,372,859)
Increase in an amount due from a fellow subsidiary		(1,182,549)	(4,978,310)
Increase in trade payables		263,146	3,495,858
Increase/(decrease) in other payables and accruals		469,176	(40,707)
Increase/(decrease) in an amount due to the intermediate holding company		(778)	101,140
Increase in an amount due to the immediate holding company		634,565	819,587
Cash generated from/(used in) operations		3,505,853	(3,115,959)
Interest received		1,849	169
Interest paid		(49,093)	(123,625)
Net cash flows from/(used in) operating activities		3,458,609	(3,239,415)
CASH FLOW FROM AN INVESTING ACTIVITY			
Purchases of items of property, plant and equipment and net cash flow used in investing activity		(10,035)	(64,775)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from bank loans		-	3,244,868
Repayment of bank loans		(3,244,868)	-
Net cash flows from/(used in) financing activities		(3,244,868)	3,244,868
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		203,706	(59,322)
Cash and cash equivalents at beginning of year		2,972,010	3,031,332
CASH AND CASH EQUIVALENTS AT END OF YEAR		3,175,716	2,972,010
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		3,175,716	2,972,010

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 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. These financial statements are presented in Hong Kong dollars ("HK$").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKFRS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 cycle	Amendments to HKFRS1 and HKAS 28

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Company has applied prospectively, the Company has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement
The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement	
	Note	Category	Amount	ECL	Amount	Category
			HK$	HK$	HK$	
Financial assets						
Trade receivables	(i)	L&R[1]	8,299,513	(25,856)	8,273,657	AC[2]
Prepayments, deposits and other receivables		L&R	452,614	-	452,614	AC
Due from a fellow subsidiary		L&R	2,515,554	-	2,515,554	AC
Cash and cash equivalents		L&R	2,972,010	-	2,972,010	AC
			14,239,691	(25,856)	14,213,835	
Financial liabilities						
Trade payables		AC	7,293,682	-	7,293,682	AC
Other payables and accruals		AC	400,572	-	400,572	AC
Interest-bearing bank borrowings		AC	3,244,868	-	3,244,868	AC
Due to the immediate holding company		AC	1,809,773	-	1,809,773	AC
Due to an intermediate holding company		AC	147,820	-	147,820	AC
			12,896,715	-	12,896,715	

[1] L&R: Loans and receivables

[2] AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The Company has remeasured the carrying amount of the trade receivables based on the ECL allowance.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Impairment
The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 10 to the financial statements.

	Impairment allowances under HKAS 39 at 31 March 2018	Re-measurement	ECL allowances under HKFRS 9 1 April 2018
	HK$	HK$	HK$
Trade receivables	-	25,856	25,856

Impact on retained profits
The impact of transition to HKFRS 9 on retained profits is as follows:

	HK$
Retained profits	
Balance as at 31 March 2018 under HKAS 39	3,632,502
Recognition of expected credit losses for trade receivables	(25,856)
Balance as at 1 April 2018 under HKFRS 9	3,606,646

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, establishes a new five-step model to account for 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 assets and liabilities account balances between periods and key judgements and estimates.

The disclosures are included in note 4 to the financial statements. The standard will supersede all current revenue recognition requirements under HKFRSs. As a result of the application of HKFRS 15, the Company has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Company has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company has elected to apply the standard to contracts that are not completed as at 1 April 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

The cumulative effect of the initial application of HKFRS 15 was not significant to the Company's financial statements. The Comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 and 31 March 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Company's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Statement of financial position as at 1 April 2018:

		Amounts prepared under		
			Previous	Increase/
		HKFRS 15	HKFRS	(decrease)
	Note	HK$	HK$	HK$
Contract liabilities	(i)	147,086	-	147,086
Other payables and accruals	(i)	400,572	547,658	(147,086)

Statement of financial position as at 31 March 2019:

		Amounts prepared under		
			Previous	Increase/
		HKFRS 15	HKFRS	(decrease)
	Note	HK$	HK$	HK$
Contract liabilities	(i)	58,260	-	58,260
Other payables and accruals	(i)	958,574	1,016,834	(58,260)

The nature of the adjustments as at 1 April 2018 and the reasons for the significant changes in the statement of financial position as at 31 March 2019 are described below:

(i) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Company recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amounts are classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Company reclassified HK$147,086 from other payables to contract liabilities as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018.

As at 31 March 2018, under HKFRS 15, HK$58,260 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance.

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

HKFRS 16 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 – leases of low-value assets and short-term leases.

2.3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Company will adopt HKFRS 16 from 1 April 2019. The Company plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate the comparatives. In addition, the Company plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Company plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During the current year, the Company has performed a high-level assessment on the impact of adoption of HKFRS 16. As disclosed in note 16 to the financial statements, at 31 March 2019, the Company had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$970,377. The Company currently is still assessing whether, upon adoption of HKFRS 16, certain amounts included therein will need to be recognised as new right-of-use assets and lease liabilities. Further detailed analysis, however, will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to any amounts relating to leases of low value assets and short term leases, other practical expedients and reliefs chosen.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Company expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Company's financial statements.

2.3. ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Company expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Company's financial statements.

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)

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.

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%.

2.4 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.

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.

Financial assets (policies under HKFRS 9 applicable from 1 April 2018)
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 (policies under HKFRS 9 applicable from 1 April 2018) (continued)

Subsequent measurement of financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets (policies under HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial assets 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)
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 (policies under HKFRS 9 applicable from 1 April 2018)
The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
General approach (continued)
The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach
For trade receivables that do not contain a significant financing component or when the Company applies the practical expedient of not adjusting the effect of a significant financing component, the Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)
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 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 (policies under HKAS 39 applicable before 1 April 2018) (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 (that is 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 profit or loss.

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

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 payables and other payables and accruals.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) (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 instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is 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.

2.4 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 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from the sale of garments is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the garments.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Revenue recognition (applicable before 1 January 2018)

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (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 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$.

3. 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.

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.

Provision for expected credit losses on trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 10 to the financial statements.

4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold.

(i) Disaggregated revenue information
The Company's entire revenue of goods transferred is recognised at a point in time.

(ii) Performance obligations
Information about the Company's performance obligations is summarised below:

Sale of garment products
The performance obligation is satisfied upon delivery of the home and garment products is generally due with 30 to 90 days from delivery, except for new customers, where payment in advance is normally required

An analysis of revenue and other income is as follows:

	2019 HK$	2018 HK$
Revenue from contracts with customers		
Sale of goods	47,593,157	84,943,547
Other income		
Interest income	1,849	169
Penalties charged to suppliers	1,820,409	383,434
Foreign exchange differences, net	-	420,858
	1,822,258	804,461

5. PROFIT BEFORE TAX

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

	Notes	2019 HK$	2018 HK$
Cost of inventories sold		37,358,599	67,195,797
Auditor's remuneration		78,000	65,000
Depreciation	9	37,221	45,707
Minimum lease payments under operating leases		458,840	479,296
Employee benefit expense (excluding directors' remuneration (note 7)):			
Salaries and allowances		4,123,215	3,148,324
Foreign exchange differences, net		163,543	(420,858)
Reversal of impairment of trade receivables	10	(7,473)	-

6. FINANCE COSTS

	2019 HK$	2018 HK$
Interest on bank loans and overdrafts	49,093	123,625

7. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Company during the year (2018: 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 in Hong Kong during the year (2018: Nil).

A reconciliation of the tax charge applicable to profit 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:

	2019		2018	
	HK$	%	HK$	%
Profit before tax	354,560		928,758	
Tax at the statutory tax rate	58,502	16.5	153,245	16.5
Income not subject to tax	(58,502)	(16.5)	(153,245)	(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 (2018: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK$
31 March 2019	
At 31 March 2018 and 1 April 2018:	
Cost	189,348
Accumulated depreciation	(123,786)
Net carrying amount	65,562
At 1 April 2018, net of accumulated depreciation	65,562
Additions	10,035
Depreciation provided during the year	(37,221)
At 31 March 2019, net of accumulated depreciation	38,376
At 31 March 2019:	
Cost	199,383
Accumulated depreciation	(161,007)
Net carrying amount	38,376
31 March 2018	
At 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

10. TRADE RECEIVABLES

	2019 HK$	2018 HK$
Trade receivables	6,078,196	8,299,513
Impairment	(18,383)	-
	6,059,813	8,299,513

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 movements in the loss allowance for impairment of trade receivables are as follows:

	2019 HK$	2018 HK$
At beginning of year	-	-
Effect of adoption of HKFRS 9	25,856	-
At beginning of year (restated)	25,856	-
Reversal of impairment losses (note 5)	(7,473)	-
At end of year	18,383	-

Impairment under HKFRS 9 for the year ended 31 March 2019
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

10. TRADE RECEIVABLES (continued)

Impairment under HKFRS 9 for the year ended 31 March 2019 (continued)
Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

As at 31 March 2019

		Pass due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.29%	0.30%	0.65%	1.00%	0.30%
Gross carrying amount (HK$)	4,204,673	1,785,012	-	88,511	6,078,196
Expected credit losses (HK$)	12,197	5,305	-	881	18,383

Impairment under HKAS 39 for the year ended 31 March 2018
An ageing analysis of the trade receivables as at 31 March 2018 that were past due but not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2018 HK$
Neither past due nor impaired	1,763,094
Past due but not impaired:	
Less than one month	6,289,135
One to three months	206,302
Over three months	40,982
	8,299,513

Receivables that were neither pas due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Company. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances under HKAS 39 was necessary in respect of these balance as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$	2018 HK$
Prepayments	1,602,696	2,381,050
Deposits	97,726	102,083
Other receivables	463,818	350,531
	2,164,240	2,833,664
Less: Portion classified as non-current	(85,390)	(102,083)
	2,078,850	2,731,581

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

	Note	2019 HK$	2018 HK$
Accrued employee benefits		203,185	-
Accruals		755,389	400,572
Contract liabilities	(i)	58,260	-
Receipts in advance		-	147,086
		1,016,834	547,658

(i) Details of contract liabilities as at 31 March 2019 and 1 April 2018 are as follows

	2019 HK$	2018 HK$
Short-term advances received from customers		
Sales of goods	58,260	147,086

Contract liabilities include short-term advances received to deliver garment products.

13. INTEREST-BEARING BANK BORROWINGS

	2019 HK$	2018 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% per annum and were repaid in April 2018.

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

14. SHARE CAPITAL

	2019 HK$	2018 HK$
Issued and fully paid:		
10,000 (2018: 10,000) ordinary shares	10,000	10,000

15. NOTES TO THE STATEMENT OF CASH FLOWS

	Bank loans HK$
At 1 April 2018	3,244,868
Change from financing cash flows	(3,244,868)
At 31 March 2019	-

16. OPERATING LEASE ARRANGEMENTS

The Company leases its office premises under operating lease arrangements, with leases negotiated for terms ranging from three 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:

	2019 HK$	2018 HK$
Within one year	453,961	460,895
In the second to fifth years, inclusive	516,416	985,200
	970,377	1,446,095

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	2019 HK$	2018 HK$
Intermediate holding company:			
Management fees paid	(i)	221,730	295,640
Immediate holding company Commissions paid	(ii)	1,887,141	6,863,825
Fellow subsidiary:			
Commission paid	(ii)	-	2,570,084
Human resources support expenses	(iii)	440,939	530,752
Compliance fees paid	(iv)	38,466	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.

17. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes: (continued)

(iii) The human resources support expenses were charged by a fellow subsidiary based on rates mutually agreed between the Company and the 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 and a fellow subsidiary are unsecured, interest-free and 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, and cash and cash equivalents which are categorised as at amortised cost (2018: 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 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.

Credit risk
The Company only trades with recognised and creditworthy parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, 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 cash and bank balances, amounts due from affiliates, and deposits and other receivables, arises from default of the counterparties, with a maximum exposure equal to the aggregate carrying amount of these instruments.

Since the Company only trades with recognised and creditworthy parties, there is no requirement for collateral. There are no significant concentrations of credit risk within the Company.

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, are either repayable on demand or 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 manageing capital during the years ended 31 March 2019 and 31 March 2018.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 May 2019.

Company Registration No. 3170332 (England and Wales)

F.X. IMPORT COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

UHY Hacker Young
Chartered Accountants

F.X. IMPORT COMPANY LIMITED

COMPANY INFORMATION

Directors	Mr D Seth Mr P Seth Mrs P Seth
Secretary	Mr K Kanodia
Company number	3170332
Registered office	Quadrant House - Floor 6 4 Thomas More Square London E1W 1YW
Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW

F.X. IMPORT COMPANY LIMITED

CONTENTS

F.X. IMPORT COMPANY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Principal activities
The principal activity of the company continued to be that of importing and distribution of garments.

Results and dividends
The results for the year are set out on page 6.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr D Seth
Mr P Seth
Mrs P Seth

Auditor
The auditor, UHY Hacker Young, is 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

....

Mr P Seth

Director

Date: 4 JUNE 2019

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF F.X. IMPORT COMPANY LIMITED

Opinion

We have audited the financial statements of F.X. Import Company Limited (the 'company') for the year ended 31 March 2019 which comprise the income statement, 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF F.X. IMPORT COMPANY LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF F.X. IMPORT COMPANY LIMITED

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.

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.

Vinodkumar Vadgama (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young

14 June 2019

Chartered Accountants
Statutory Auditor

F.X. IMPORT COMPANY LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Revenue	2	242,605	1,538,349
Cost of sales		(56,947)	(637,079)
Gross profit		185,658	901,270
Administrative expenses		(387,843)	(1,043,520)
Other operating income		4,517	-
Operating loss	3	(197,668)	(142,250)
Tax on loss	5	-	1,949
Loss and total comprehensive income for the financial year	14	(197,668)	(140,301)

The income statement has been prepared on the basis that all operations are continuing operations.

F.X. IMPORT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Non-current assets			
Property, plant and equipment	7	127	304
Investments	8	865	865
		992	1,169
Current assets			
Trade and other receivables	10	298,448	469,376
Cash and cash equivalents		105,962	254,522
		404,410	723,898
Current liabilities			
Trade and other payables	12	358,998	477,107
Taxation and social security		5,279	9,167
		364,277	486,274
Net current assets		40,133	237,624
Total assets less current liabilities		41,125	238,793
Non-current liabilities			
Borrowings	11	513,500	513,500
Net liabilities		(472,375)	(274,707)
Equity			
Called up share capital	13	25,200	25,200
Retained earnings	14	(497,575)	(299,907)
Total equity		(472,375)	(274,707)

EX IMPORT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MARCH 2019

The financial statements were approved by the board of directors and authorised for issue on 4 JUNE 2019 and are signed on its behalf by:

....

Mr P Seth
Director

Company Registration No. 3170332

F.X. IMPORT COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Share capital	Retained earnings	Total
	£	£	£
Balance at 1 April 2017	25,200	(159,606)	(134,406)
Year ended 31 March 2018:			
Loss and total comprehensive income for the year	-	(140,301)	(140,301)
Balance at 31 March 2018	25,200	(299,907)	(274,707)
Year ended 31 March 2019:			
Loss and total comprehensive income for the year	-	(197,668)	(197,668)
Balance at 31 March 2019	25,200	(497,575)	(472,375)

F.X. IMPORT COMPANY LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash absorbed by operations	**20**		(148,560)		(32,289)
Tax paid			-		(33,051)
Net cash outflow from operating activities			(148,560)		(65,340)
Net cash used in investing activities			-		-
Net cash used in financing activities			-		-
Net decrease in cash and cash equivalents			(148,560)		(65,340)
Cash and cash equivalents at beginning of year			254,522		319,862
Cash and cash equivalents at end of year			105,962		254,522

1 Accounting policies

Company information
F.X. Import Company Limited is a private company limited by shares incorporated in England and Wales. The registered office is Quadrant House - Floor 6, 4 Thomas More Square, London, E1W 1YW.

1.1 Accounting convention

The company meets the definition of a qualifying entity under FRS 101, The Financial Reporting Standard applicable in the UK and Republic of Ireland. These financial statements for the year ended 31 March 2019 are the first financial statements of F.X. Import Company Limited prepared in accordance with FRS 101. The company transitioned from EU-adopted IFRS to FRS 101 for all periods presented and the date of transition to FRS 101 was 1 April 2017.

The reported financial position and financial performance for the previous period are not affected by the transition to FRS 101.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations and discontinued operations.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

F.X. Import Company Limited is a wholly owned subsidiary of Poeticgem Limited and the results of F.X. Import Company Limited are included in the consolidated financial statements of Poeticgem Limited which are available from Quadrant House - Floor 6, 4 Thomas More Square, London, E1W 1YW. Where required, equivalent disclosures are given in the group accounts of Poeticgem Limited.

1 Accounting policies **(Continued)**

1.2 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 £40,133 (2018: £237,624).

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 the assets to their realisable amount and to provide for any further liabilities which might arise.

1.3 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

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.

1.4 Intangible assets other than goodwill

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.

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	25%-33.33% reducing balance
Motor vehicles	25%-33.33% reducing balance

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.6 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1 Accounting policies **(Continued)**

1.7 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.8 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

1 Accounting policies **(Continued)**

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.11 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.12 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 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 reporting end date.

1 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 goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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 the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits
Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.16 Foreign exchange
Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

2 Revenue

	2019	2018
	£	£
Revenue analysed by class of business		
Sale of garments	66,834	832,556
Commission receivable	175,771	705,793
	242,605	1,538,349

	2019	2018
	£	£
Revenue analysed by geographical market		
UK	66,834	832,556
Rest of the World	175,771	705,793
	242,605	1,538,349

3 Operating loss

	2019	2018
	£	£
Operating loss for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(14,048)	97,774
Fees payable to the company's auditor for the audit of the company's financial statements	9,488	9,352
Depreciation of property, plant and equipment	177	5,254

4 Employees

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

	2019	2018
	Number	Number
	4	7

4 Employees (Continued)

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	104,518	319,107
Social security costs	10,491	35,962
	115,009	355,069

5 Income tax expense

	2019 £	2018 £
Current tax		
Adjustments in respect of prior periods	-	(1,949)

The charge for the year can be reconciled to the loss per the income statement as follows:

	2019 £	2018 £
Loss before taxation	(197,668)	(142,250)
Expected tax credit based on a corporation tax rate of 19.00%	(37,557)	(27,028)
Effect of expenses not deductible in determining taxable profit	10	510
Change in unrecognised deferred tax assets	(350)	1,723
Adjustment in respect of prior years	-	(1,949)
Group relief	37,897	24,795
Taxation charge/(credit) for the year	-	(1,949)

6 Intangible fixed assets

	Patents & licences
	£
Cost	
At 31 March 2018	6,445
At 31 March 2019	6,445
Amortisation and impairment	
At 31 March 2018	6,445
At 31 March 2019	6,445
Carrying amount	

7 Property, plant and equipment

	Fixtures and fittings	Motor vehicles	Total
	£	£	£
Cost			
At 31 March 2018	19,825	27,362	47,187
At 31 March 2019	19,825	27,362	47,187
Accumulated depreciation and impairment			
At 31 March 2018	19,523	27,360	46,883
Charge for the year	175	2	177
At 31 March 2019	19,698	27,362	47,060
Carrying amount			
At 31 March 2019	127	-	127
At 31 March 2018	302	2	304

8 Investments

	Current 2019 £	2018 £	Non-current 2019 £	2018 £
Investments in subsidiaries	-	-	865	865

The company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

Fair value of financial assets carried at amortised cost

Except as detailed below the directors believe that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

Movements in non-current investments

	Shares in group undertakings £
Cost or valuation	
At 1 April 2018 & 31 March 2019	865
Carrying amount	
At 31 March 2019	865
At 31 March 2018	865

9 Subsidiaries

Details of the company's subsidiaries at 31 March 2019 are as follows:

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
FX Import Hong Kong Limited	Hong Kong	100.00	100.00	Importing and distribution of garments

10 Trade and other receivables

	2019 £	2018 £
Trade receivables	701,680	758,649
Provision for bad and doubtful debts	(701,415)	(701,415)
	265	57,234
Other receivables	36,611	229,188
VAT recoverable	2,654	10,513
Amounts owed by subsidiary undertakings	241,030	165,825
Prepayments	17,888	6,616
	298,448	469,376

11 Borrowings

	2019 £	2018 £
Unsecured borrowings at amortised cost		
Other loans	62,000	62,000
Loans from parent undertaking	451,500	451,500
	513,500	513,500

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019 £	2018 £
Non-current liabilities	513,500	513,500

12 Trade and other payables

	Current 2019 £	2018 £
Trade payables	5,335	28,575
Amount owed to parent undertaking	242,117	368,137
Amounts owed to related parties	99,818	59,440
Accruals	8,827	20,955
Other payables	2,901	-
	358,998	477,107

13 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
25,200 Ordinary 'A' shares of £1 each	25,200	25,200
	25,200	25,200

14 Retained earnings

	2019 £	2018 £
At the beginning of the year	(299,907)	(159,606)
Loss for the year	(197,668)	(140,301)
At the end of the year	(497,575)	(299,907)

15 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 2019 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.

16 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2019	2018
	£	£
Minimum lease payments under operating leases	27,300	43,551

At the reporting end date the company had outstanding commitments for future minimum lease payments under Operating lease payments represent rentrals payable by the company for a lease arrangement entered into by the parent ocmpany, Poeticgem Limited, on behalf of the company.

	2019	2018
	£	£
Within one year	27,300	27,300
Between two and five years	24,383	51,683
	51,683	78,983

17 Related party transactions

17. 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	
	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£
Poeticgem Limited, UK	-	-	51,195	181,080	690,098*	790,063*
Norwest Industries Limited, Hong Kong	-	-	33,036	45,568	99,818	59,439
FX Import Hong Kong Limited, Hong Kong	175,770	705,792	-	-	(241,029)	(165,824)
Multinational Textile Group Limited, Hong Kong	-	-	48,231	114,343	3,518	29,574

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 (2018: £451,500).

19 Controlling party

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.

PDF Multinational Fashions Limited is listed on the Bombay Stock Exchange and National Stock Exchange in India.

20 Cash generated from operations

	2019	2018
	£	£
Loss for the year after tax	(197,668)	(140,301)
Adjustments for:		
Taxation charged/(credited)	-	(1,949)
Depreciation and impairment of property, plant and equipment	177	5,254
Movements in working capital:		
Decrease in trade and other receivables	170,928	183,214
Decrease in trade and other payables	(121,997)	(78,507)
Cash absorbed by operations	(148,560)	(32,289)

F.X. IMPORT COMPANY LIMITED

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 MARCH 2019

F.X. IMPORT COMPANY LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2019

		2019		2018
	£	£	£	£
Revenue				
Sales of goods		66,834		832,557
Commission receivable		175,771		705,792
		242,605		1,538,349
Cost of sales				
Finished goods purchases	56,947		637,079	
		(56,947)		(637,079)
Gross profit		185,658		901,270
Other operating income				
Miscellaneous income		4,517		-
Administrative expenses		(387,843)		(1,043,520)
Operating loss		(197,668)		(142,250)

F.X. IMPORT COMPANY LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018
	£	£
Administrative expenses		
Wages and salaries	104,518	319,107
Social security costs	10,491	35,962
Staff recruitment costs	16,125	13,200
Management charge	46,782	112,743
Rent re operating leases	51,195	103,551
Rates	11,949	17,634
Property repairs and maintenance	777	46
Premises insurance	10,237	11,788
Computer running costs	1,449	2,310
Travelling expenses	27,738	96,929
Postage, courier and delivery charges	975	5,358
Professional subscriptions	-	1,382
Legal and professional fees	44,202	7,236
Consultancy fees	11,891	1,742
Audit fees	9,488	9,352
Bank charges	1,717	4,991
Bad and doubtful debts	-	11,789
Printing and stationery	7,936	11,299
Advertising	-	433
Telecommunications	4,358	7,133
Sundry expenses	5,300	10,571
Sample costs	34,586	155,936
Depreciation	177	5,254
Profit or loss on foreign exchange	(14,048)	97,774
	387,843	1,043,520

GREEN APPAREL INDUSTRIES LIMITED

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

LOUIS LAI & LUK CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

GREEN APPAREL INDUSTRIES LIMITED

CONTENTS

GREEN APPAREL INDUSTRIES LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the Company for the year ended March 31, 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company is garment trading. The principal activity of the subsidiary is set out in the Note (10) 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 other comprehensive income on page 7.

The directors do not recommend the payment of a dividend.

SHARE CAPITAL

Details of share capital of the Company are set out in Note (15) to the financial statements.

DIRECTORS

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

Pallak SETH
Deepak Kumar SETH
Md Fateh-ul ISLAM

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 (19) 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.

GREEN APPAREL INDUSTRIES LIMITED

REPORT OF THE DIRECTORS (CONT'D)

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

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 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 28, 2019

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 Hong Kong with limited liability)

Opinion

We have audited the financial statements of Green Apparel Industries Limited ("the Company") set out on pages 7 to 34 which comprise the statement of financial position as at March 31, 2019, 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, 2019, 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 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.

Key Audit Matter

We have determined that there are no key audit matters to communicate in our report.

Fundamental Uncertainty Relating to the Going Concern Basis

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2c) 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 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 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 (CONT'D)
TO THE MEMBERS OF
GREEN APPAREL INDUSTRIES LIMITED
(incorporated in Hong Kong with limited liability)

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 K.M. LAI FCCA CPA (PRACTISING) 黎 劍 民 會 計 師
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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
GREEN APPAREL INDUSTRIES LIMITED
(incorporated in Hong Kong with limited liability)

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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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
GREEN APPAREL INDUSTRIES 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, May 28, 2019.

GREEN APPAREL INDUSTRIES LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
REVENUE	(5)	55,235,251	15,243,241
COST OF SALES		(57,568,024)	(17,202,819)
GROSS PROFIT		(2,332,773)	(1,959,578)
OTHER INCOME	(5)	11,871	13,959
STAFF COSTS		(884,833)	(6,672)
DEPRECIATION		(4,018)	(6,889)
OTHER OPERATING EXPENSES		(4,870,786)	(5,282,920)
LOSS FROM OPERATION		(8,080,539)	(7,242,100)
FINANCE COSTS	(6)	(5,579,380)	(1,323,549)
LOSS BEFORE TAXATION	(7)	(13,659,919)	(8,565,649)
TAXATION	(9)	-	-
LOSS FOR THE YEAR		(13,659,919)	(8,565,649)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(13,659,919)	(8,565,649)

THE NOTES ON PAGES 11 TO 34 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GREEN APPAREL INDUSTRIES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	Note	2019	2018
		HK$	HK$
Non-Current Assets			
Plants and equipments	(10)	-	13,206
Interest in a subsidiary		104,101,616	75,324,888
Construction in progress		202,280	202,280
		104,303,896	75,540,374
Current Assets			
Inventories	(11)	-	10,978,363
Trade and other receivables		7,901,407	12,692,458
Amounts due from a fellow subsidiary	(12)	10,159	-
Amount due from a director		-	280,080
Cash and cash equivalents		1,775,964	98,921
		9,687,530	24,049,822
Current Liabilities			
Accrual and other payables		323,334	3,627,143
Amount due to immediate holding company	(13)	247,879	133,863
Amounts due to fellow subsidiaries	(13)	86,360,432	64,105,189
Secured bank borrowings	(14)	48,834,484	39,838,785
		135,766,129	107,704,980
Net Current Liabilities		(126,078,599)	(83,655,158)
NET LIABILITIES		(21,774,703)	(8,114,784)
DEFICIT			
Share capital	(15)	1,556,000	1,556,000
Accumulated losses		(23,330,703)	(9,670,784)
TOTAL DEFICIT		(21,774,703)	(8,114,784)

APPROVED BY THE BOARD OF DIRECTORS ON MAY 28, 2019 AND SIGNED ON BEHALF OF THE BOARD BY:

Pallak SETH
Director

Deepak Kumar SETH
Director

THE NOTES ON PAGES 11 TO 34 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GREEN APPAREL INDUSTRIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2019

	Share Capital	Accumulated losses	Total
	HK$	HK$	HK$
At April 1, 2017	1,556,000	(1,105,135)	450,865
Loss for the year and total comprehensive loss for the year	-	(8,565,649)	(8,565,649)
At March 31, 2018 and April 1, 2018	1,556,000	(9,670,784)	(8,114,784)
Loss for the year and total comprehensive loss for the year	-	(13,659,919)	(13,659,919)
At March 31, 2019	1,556,000	(23,330,703)	(21,774,703)

THE NOTES ON PAGES 11 TO 34 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GREEN APPAREL INDUSTRIES LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
	HK$	HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(13,659,919)	(8,565,649)
Adjustments for:		
Bank interest expenses	5,579,380	1,323,549
Bank interest income	(384)	(12)
Depreciation	4,018	6,888
Gain on disposal of plant and equipment	(11,481)	-
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	(8,088,386)	(7,235,224)
Decrease/(Increase) in inventories	10,978,363	(10,978,363)
Decrease/(Increase) in trade receivables	4,791,051	(12,692,458)
Decrease in prepayments and deposits	-	18,793
(Increase)/Decrease in amounts due from fellow subsidiaries	(10,159)	754,660
Decrease/(Increase) in amounts due from a director	280,080	(280,080)
(Decrease)/Increase in accrual and other payables	(3,303,809)	2,841,643
Increase in amount due to immediate holding company	114,016	133,863
Increase in amounts due to fellow subsidiaries	22,255,243	60,479,385
Cash generated from operations	27,016,399	33,042,219
Bank interest paid	(5,579,380)	(1,323,549)
Bank interest received	384	12
Net cash generated from operating activities	21,437,403	31,718,682
CASH FLOWS FROM INVESTING ACTIVITIES		
Net payment to a subsidiary	(28,776,728)	(54,396,613)
Proceeds from sales of plants and equipments	20,669	-
Net cash used in investing activities	(28,756,059)	(54,396,613)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from secured bank borrowings and net cash generated from financing activities	8,995,699	22,722,785
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,677,043	44,854
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	98,921	54,067
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,775,964	98,921

THE NOTES ON PAGES 11 TO 34 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

GREEN APPAREL INDUSTRIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Green Apparel Industries Limited is a company in Hong Kong with limited liability. The principal activity of the Company 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. Statement of Compliance and Basis of Preparation

For the purposes of compliance with sections 379 and 380 of the Hong Kong Companies Ordinance (Cap. 622), 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, a term which collectively includes 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 (Cap. 622) 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 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 (Cap. 622), 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 is concerned. As a consequence, the financial statements do not give all the information required by HKFRS 10 about the economic activities of the group of which the company is the parent. Furthermore, as these financial statements are prepared in respect of the company only, HKFRS 12, Disclosures 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$"), 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 (4) to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Company, of which the following developments are relevant to the Company's financial statements:

(i) HKFRS 9, Financial instruments
(ii) HKFRS 15, Revenue from contracts with customers

None of these developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented.

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Company has applied HKFRS 9 retrospectively to items that existed at April 1, 2018 in accordance with the transition requirements and there is no material effect of Company's financial results and financial position.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

A. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-tomaturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For an explanation of how the Company classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes (2g) and (2h).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at April 1, 2018 have not been impacted by the initial application of HKFRS 9.

The Company did not designate or de-designate any financial asset at FVOCI or FVPL or financial liability at FVPL at April 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)

B. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at April 1, 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at April 1, 2018 (the date of initial application of HKFRS 9 by the company):
- the determination of the business model within which a financial asset is held; and
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime expected credit loss has been recognised for that financial instrument.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts. HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at April 1, 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Company has applied the new requirements only to contracts that were not completed before April 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

A. Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:
- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact when the Company recognises revenue from sales of goods.

B. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Company only applied such a policy when payments were significantly deferred, which was not common in the Company's arrangements with its customers.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

C. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the company has an unconditional right to consideration. If the company recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Company recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis

The adoption of HKFRS15 does not have a significant impact on the presentation of Company's contract assets and liabilities.

c. Going Concern

The immediate holding company has 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.

d. 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 interest in a subsidiary is stated at cost less provision for impairment losses. The result of subsidiary is accounted by the Company on the basis of dividend received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

e. Impairment of Non-Financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current 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 other than goodwill 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, (only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

g. Financial Assets

The Company's financial assets are only classified under *Financial assets carried at amortised cost* category, including trade receivables, amount due from fellow subsidiaries and cash and cash equivalents.

Financial assets carried at amortised cost

(i) Initial recognition and measurement:

All financial assets are recognised initially at fair value plus, transaction costs that are attributable to the acquisition of the financial asset.

(ii) Subsequent measurement

At the end of each reporting period subsequent to initial recognition, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method, less 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 amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised 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 risks and rewards of ownership. When it has neither transferred nor retained substantially all of 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 its 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. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

g. Financial Assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

(iv) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a Company of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the Company of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Company 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.

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 Company 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 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 loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) 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, together with the 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 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 write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial liabilities

Financial liabilities carried at amortised cost

The Company's financial liabilities are classified under *Financial liabilities carried at amortised cost*, including accrual and other payables, amounts due to fellow subsidiaries, amount due to immediate holding company and secured bank borrowings.

(i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

(ii) Subsequent measurement:

After initial recognition, financial liabilities carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method. 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 as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

(iii) 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.

i. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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, to realise the assets and settle the liabilities simultaneously.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

j. Contract Assets and Contract Liabilities

A contract asset is recognised when the Company recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional.

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

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

k. Trade and other receivables

A receivable is recognised when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less impairment losses.

l. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

m. Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

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 other comprehensive income.

o. 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 asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee
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.

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 or loss.

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.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

p. 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 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 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. No deferred tax asset has been recognised on the unused tax losses due to the infeasibility to predict the availability of future taxable profit for offsetting such deductible timing differences.

Deferred tax, if material, is charged or credited in the statement of profit or loss and other comprehensive income.

q. 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.

No provision on employees' entitlements to unconsumed annual leaves as of the end of reporting period is provided in the financial statement 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

r. Revenue Recognition

Income is classified by the company as revenue when it arises from the sale of goods in the ordinary course of the Company's business.

Revenue is recognised when control over a product is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amount collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Company, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Company takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Company's revenue and other income recognition policies are 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.
- Sundry income is recognised on a receipts basis.

s. Borrowing Costs

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.

t. 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)

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 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 Company of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. 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. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected 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 consolidated 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.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

5. REVENUE AND OTHER INCOME

	2019	2018
Revenue and other income recognised during the year are as follows:	HK$	HK$
Revenue:		
Sales of goods	55,235,251	15,243,241
Other income:		
Bank interest income	384	12
Exchange gain	-	12,488
Gain on disposal of plants and equipments	11,481	-
Other income	6	1,459
	11,871	13,959
Total revenue recognised	55,247,122	15,257,200

6. FINANCE COSTS

	2019	2018
	HK$	HK$
Interest of secured bank borrowings	5,579,380	1,323,549

7. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

Auditors' remuneration	28,875	20,475
Exchange loss/(gain), net	28,312	(12,488)
Staff costs (including directors' remuneration)		
- Salaries and allowances	884,833	6,672

8. DIRECTORS' REMUNERATION

No fees or other emoluments were paid or payable to the directors 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. INTEREST IN A SUBSIDIARY

	2019	2018
	HK$	HK$
Unlisted investment, at cost	5,072,560	5,072,560
Amount due from a subsidiary	99,029,056	70,252,328
	104,101,616	75,324,888

Details of subsidiary are as follows:

Name of subsidiary	Place of incorporation	Parentage of Ownership and voting power	Nature of business
Progress Apparels (Bangladesh) Limited	Bangladesh	99.95%	Manufacturing and trading of garments

11. TRADE RECEIVABLES

	2019	2018
	HK$	HK$
Trade receivables (Note)	6,836,846	12,692,458
Prepayments, depoists and other receivables	1,064,561	-
	7,901,407	12,692,458

Note: Aging analysis

Neither past due nor impaired	7,901,407	12,692,458

12. AMOUNTS DUE FROM A FELLOW SUBSIDIARY

Amounts due from a fellow subsidiary disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordnance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622) are as follows:

	Outstanding principal		
Name of borrower	At beginning of year	At end of year	Maximum outstanding
	HK$	HK$	HK$
Twins Asia Limited [1]	-	10,159	10,159

[1] Fellow subsidiary, connected with common directors.

Principal terms: The amount due is unsecured, interest free and have no fixed term of repayment.

13. 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.

14. SECURED BANK BORROWINGS

	2019	2018
	HK$	HK$
Term loans	48,834,484	39,838,785

The term loans are secured by fellow subsidiaries' cash deposit, immediate holding company's corporate guarantee and directors' personal guarantee as disclosed in note (18).

15. SHARE CAPITAL

	2019		2018	
	No. of shares	Amount	No. of shares	Amount
		HK$		HK$
Ordinary shares of US$1 each, issued and fully paid:				
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.

16. COMMITMENTS

At the end of the reporting period, the Company did not have any significant commitments.

17. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Company's principal financial instrument comprises cash and cash equivalents and secured bank borrowings. The main purpose of the financial instrument is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables which arise directly from its operations.

The main risks arising from the Company's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any financial institution.

Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Company will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

17. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk (Cont'd)

(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 related.

	2019 (Expressed in HK$)		
	BDT	USD	Total
Trade and other receivables	-	7,901,407	7,901,407
Trade and other payables	-	323,336	323,336
Bank borrowings	-	48,834,484	48,834,484
Cash and cash equivalents	-	992,668	992,668
Net exposure arising from recognised assets and liabilities	-	58,051,895	58,051,895

	2018 (Expressed in HK$)		
	GBP	USD	Total
Trade and other receivables	-	9,069,316	9,069,316
Bank borrowings	-	39,838,785	39,838,785
Cash and cash equivalents	4,536	91,780	96,316
Net exposure arising from recognised assets and liabilities	4,536	48,999,881	49,004,417

17. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Foreign 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.

	2019		2018	
	Increase	Decrease	Increase	Decrease
	HK$	HK$	HK$	HK$
British Pounds	-	-	454	(454)
United States Dollar	-	-	-	-
	-	-	454	(454)

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 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 2018.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

17. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Interest rate risk

Carrying amounts of financial assets and financial liabilities as at March 31, 2019 that exposed to interest rate risks were as follows:

	2019	2018
Financial liabilities bearing variable interest:	HK$	HK$
Term loans	48,834,484	39,838,785

Sensitivity analysis

At March 31, 2019, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, interest expenses and loss before taxation for the year ended March 31, 2019 would increase/decrease by a net amount of HK$465,878 (2018: HK$110,516). The carrying amount of financial asset/liability measured at amortized cost and the carrying amount of financial asset/liability bearing interest rate measured at fair value would not be affected by the assumed 100 basis points increase/decrease in interest rate.

Although a financial asset or financial liability may be subject to interest rate risk, its carrying amount may not necessarily be affected by the assumed 100 basis points increase in market interest rates.

18. 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.

19. RELATED PARTY TRANSACTIONS

During normal course of business, the Company had the following material transactions with the related parties below:

Name	Relationship	Nature of transaction	2019	2018
			HK$	HK$
Multinational Textile Group Limited	Immediate holding company	Management expenses	247,879	231,497
		SAP expenses	217,840	303,954
Global Textiles Group Limited	Fellow subsidiary	Consultancy fee	2,970,417	1,292,883
Green Smart Shirt Limited	Subsidiary	Purchases	35,406,949	-

20. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended March 31, 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	January 1, 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	January 1, 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	January 1, 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	January 1, 2019

The Company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's Board of Directors on May 28, 2019.

GRUPO SOURCING LIMITED

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

LOUIS LAI & LUK CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

GRUPO SOURCING LIMITED

CONTENTS

GRUPO SOURCING LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended March 31, 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company is garment trading. 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, 2019 are set out in the consolidated statements of profit or loss and other comprehensive income on page 7.

The directors do not recommend the payment of any dividend for the year.

SHARE CAPITAL

Details of share capital of the Group are set out in Note (17) to the financial statements.

PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (9) to the consolidated 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
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 year and up to date of this report, Zamal Uddin AHMED is also the director of the subsidiary of the Company.

GRUPO SOURCING LIMITED

DIRECTORS' REPORT (CONT'D)

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 (23) 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 period.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined n 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 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.

On behalf of the Board

Deepak Kumar SETH
Chairman

Hong Kong, May 28, 2019.

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
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 38, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended March 31, 2019 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, 2019, 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.

Key Audit matter

We have determined that there are no key audit matters to communicate in our report.

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 (CONT'D)
TO THE MEMBERS OF
GRUPO SOURCING LIMITED
(incorporated in Hong Kong with limited liability)

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.

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.

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 (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

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 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.

- 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.

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)

- 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.

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 28, 2019.

GRUPO SOURCING LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
REVENUE	(5)	86,169,949	31,465,478
COST OF SALES		(80,759,732)	(27,824,195)
GROSS PROFIT		5,410,217	3,641,283
OTHER INCOME AND GAIN	(5)	2,104,713	2,191,014
DEPRECIATION EXPENSES		(149,851)	(145,559)
AMORTISATION		-	(4,563)
STAFF COSTS		(1,931,518)	(1,691,849)
OTHER OPERATING EXPENSES		(4,064,859)	(2,686,224)
PROFIT BEFORE TAXATION	(6)	1,368,702	1,304,102
TAXATION	(8)	(414,231)	(102,597)
PROFIT FOR THE YEAR		954,471	1,201,505
OTHER COMPREHENSIVE INCOME/(LOSS)			
Item that may be reclassified to profit or loss:			
- Exchange difference on translating foreign operation		245,681	(95,744)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,200,152	1,105,761
PROFIT ATTRIBUTABLE TO:			
- Owners of the Company		954,495	1,201,488
- Non-controlling interests		(24)	17
		954,471	1,201,505
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
- Owners of the company		1,200,175	1,105,748
- Non-controlling interest		(23)	13
		1,200,152	1,105,761

THE NOTES ON PAGES 11 TO 38 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

GRUPO SOURCING LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
Non-Current Assets			
Plant and equipment	(9)	129,353	260,001
Intangible assets	(10)	-	-
Goodwill	(11)	185,144	185,144
Deferred tax assets	(12)	78,481	42,032
		392,978	487,177
Current Assets			
Trade receivables	(13)	3,167,927	10,181,779
Deposits and prepayment		15,381	99,526
Amount due from a fellow subsidiary	(14)	307,050	4,578,530
Advance Income Tax		-	-
Cash and cash equivalents		2,552,139	442,179
		6,042,497	15,302,014
Current Liabilities			
Trade and other payables	(15)	2,879,898	8,575,476
Amount due to immediate holding company	(16)	-	78,384
Amounts due to fellow subsidiaries	(16)	1,512,064	6,291,097
Provision for taxation		56,134	57,007
		4,448,096	15,001,964
Net Current Assets		1,594,401	300,050
NET ASSETS		1,987,379	787,227
EQUITY			
Share capital	(17)	778,000	778,000
Translation reserve		128,408	(117,273)
Retained earnings		1,080,922	126,428
Non-controlling interests		49	72
TOTAL EQUITY		1,987,379	787,227

APPROVED BY THE BOARD OF DIRECTORS ON MAY 28, 2019 AND SIGNED ON BEHALF OF THE BOARD BY:

Deepak Kumar SETH
Director

Pallak SETH
Director

THE NOTES ON PAGES 11 TO 38 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

GRUPO SOURCING LIMITED

CONSOLIATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2019

	Share capital	Translation reserve	Retained earnings	Non-controlling interests	Total
	HK$	HK$	HK$	HK$	HK$
At April 1,2017	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
Profit for the year and total comprehensive income for the year	-	245,681	954,494	(23)	1,200,152
At March 31, 2019	778,000	128,408	1,080,922	49	1,987,379

THE NOTES ON PAGES 11 TO 38 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

GRUPO SOURCING LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
	HK$	HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,368,702	1,304,102
Adjustment for:		
Amortisation	-	4,563
Depreciation	149,851	145,559
Bank interest income	(8,798)	(2,203)
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	1,509,755	1,452,021
Decrease/(Increase) in deposits and prepayment	84,145	(86,833)
Decrease/(Increase) in trade receivables	7,013,852	(3,857,402)
(Decrease)/Increase in trade and other payables	(5,322,138)	7,251,354
Net payments to fellow subsidiaries	(880,993)	(4,956,489)
CASH GENERATED FROM OPERATIONS	2,404,621	(197,349)
Bank interest received	8,798	2,203
Tax paid in other jurisdiction	(451,553)	(183,194)
Net cash generated from/(used in) operating activities	1,961,866	(378,340)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment and net cash used in investing activities	(37,045)	(42,951)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (payment to)/receipt from immediate holding company and net cash (used in)/generated from financing activities	(78,384)	78,384
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,846,437	(342,907)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	442,179	799,554
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	263,523	(14,468)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	2,552,139	442,179

THE NOTES ON PAGES 11 TO 38 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 activity is garment trading. 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 ultimate holding company and immediate holding company are PDS Multinational Fashions Limited and Multinational Textile Group Limited respectively. 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 ("HKICPA"), 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 Group'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 (4) to the consolidated financial statements.

b. Changes in Accounting Policies and Disclosures

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, Financial instruments;
(ii) HKFRS 15, Revenue from contracts with customers;

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group has applied HKFRS 9 retrospectively to items that existed at April 1, 2018 in accordance with the transition requirements and there is no material effect of Group's financial results and financial position.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

A. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes (2f) and (2g).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at April 1, 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset at FVOCI or FVPL or financial liability at FVPL at April 1, 2018.

B. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at April 1, 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at April 1, 2018 (the date of initial application of HKFRS 9 by the company):
  - the determination of the business model within which a financial asset is held; and
  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at April 1, 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before April 1, 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

A. Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

A. Timing of revenue recognition (Cont'd)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

B. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

C. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis

The adoption of HKFRS15 does not have a significant impact on the presentation of Group's contract assets and liabilities.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

c. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to March 31, 2019. 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 other 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 statement of financial position, the interest in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale. The results of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

d. Plant and Equipment

An item of plant and equipment is stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of 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 plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidation 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 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 a straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life, as follows:

Office equipment	33.33%
Computer equipment	33.33%
Furniture and fixtures	25%

An item of plant and equipment and 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 arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidation statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

e. Impairment of Non-Financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current 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 other than goodwill 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, (only if there are revalued assets in the consolidated financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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 consolidation 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)

g. Financial Assets

The Group's financial assets are only classified under *Financial assets carried at amortised cost* category, including trade receivables, deposits, amount due from fellow subsidiaries and cash and cash equivalents.

Financial assets carried at amortised cost

(i) Initial recognition and measurement

All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

(ii) Subsequent measurement

At the end of each reporting period subsequent to initial recognition, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method, less 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 amortisation is included in finance income in the consolidation statement of profit or loss. The losses arising from impairment are recognised in the consolidation statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised 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 risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all of 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

g. Financial Assets (Cont'd)

(iv) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or the 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 the debtors 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.

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 the 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 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 loss is recognised in the consolidation 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 the 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 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 write-off is later recovered, the recovery is credited to finance costs in the consolidation statement of profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Liabilities

Financial liabilities carried at amortised cost

The Group's financial liabilities are classified under *Financial liabilities carried at amortised cost*, including trade and other payables and amounts due to fellow subsidiaries.

(i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

(ii) Subsequent measurement

After initial recognition, financial liabilities carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method. 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 as finance costs in the consolidation statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

(iii) 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 consolidation statement of profit or loss.

i. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

j. Contract Assets and Contract Liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional.

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

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

k. Trade and Other Receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less impairment losses.

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. Trade and Other Payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

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 period-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.

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 period. Taxable profit differs from net profit 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 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 other comprehensive income. Deferred tax, if material, is charged or credited in the consolidation statement of profit or loss and other comprehensive income.

p. Revenue Recognition

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amount collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

p. Revenue Recognition (Cont'd)

Further details of the Group's revenue and other income recognition policies are as follows:

- Revenue from sales of goods is recognised when the customers take possession of and accept the products.
- Service income is recognised when the services are rendered.
- Other income is recognised on a receipt basis.

q. Retirement Benefit Scheme

The Group's contributions to the mandatory provident fund scheme are charged to the consolidated statement of profit or loss as incurred.

The Group's employees who have completed the required number of years of service to the Group are eligible for long service payments in the event of the termination of their employment.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the end of reporting period.

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.

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. 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)

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).
(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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. 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 manages its capital structure and makes adjustments to it in light of changes in economic conditions. 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. No changes in the objectives, policies or processes for managing capital were made during the years ended March 31, 2019 and March 31, 2018.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected 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 Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur.

Estimate of fair values of current assets and liabilities

The nominal values of current assets and liabilities are assumed to approximate their fair values.

5. REVENUE, OTHER INCOME AND GAIN

	2019	2018
	HK$	HK$
Revenue, other income and gain recognised during the year are as follows:		
Revenue:		
Sales of goods	86,169,949	31,465,478
Other income and gain:		
Commission income	356,708	1,977,572
Marketing Fees income	1,488,619	-
Inspection income	160,419	166,382
Sundry income	14,167	46,624
Exchange gain, net	84,800	436
	2,104,713	2,191,014
Total revenue recognised	88,274,662	33,656,492

6. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting):

	2019	2018
Depreciation	149,851	145,559
Amortisation of intangible assets	-	4,563
Exchange gain, net	(84,800)	(436)
Staff costs:		
- Salaries and allowances	1,515,440	1,684,996
- Staff welfare expenses	1,642	6,853

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2019	2018
	HK$	HK$
Directors' fees	-	-
Salaries, allowances and benefits other than in cash	414,436	-
Retirement benefits	-	-
	414,436	-

8. TAXATION

No Hong Kong profit tax has been provided in the financial statements as the Group made no assessable profits for the year. Profits tax of subsidiary has been calculated at the prevailing rate of the country in which the subsidiary operates.

	2019	2018
	HK$	HK$
Current:		
Overseas income tax	451,322	144,629
Deferred:		
Origination of temporary difference		
- Depreciation allowance	(37,091)	(42,032)
Total tax charge for the year	414,231	102,597

The charge for the year can be reconciled to the profit per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019	2018
	HK$	HK$
Profit before taxation	1,368,702	1,304,102
Tax at the domestic income tax rate	623,306	317,773
Tax effect on income that are not taxable	(209,075)	(215,176)
Taxation expense for the year	414,231	102,597

9. PLANT AND EQUIPMENT

	Office equipment	Computer equipment	Furniture and fixtures	Total
Cost	HK$	HK$	HK$	HK$
Acquisition from a subsidiary	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 and 1/4/2018	111,784	93,641	300,642	506,067
Additions	-	29,011	8,035	37,046
Exchange realignment	(19,576)	(1,434)	(4,605)	(25,615)
At 31/3/2019	92,208	121,218	304,072	517,498
Accumulated Depreciation				
Acquisition from a subsidiary	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 and 1/4/2018	52,346	59,007	134,713	246,066
Charge for the year	31,577	40,856	77,418	149,851
Exchange realignment	4,914	(8,554)	(4,132)	(7,772)
At 31/3/2019	88,837	91,309	207,999	388,145
Net Carrying Amount				
At 31/3/2019	3,371	29,909	96,073	129,353
At 31/3/2018	59,438	34,634	165,929	260,001

10. INTANGIBLE ASSET

	Computer System
Cost	HK$
Additions, 31/3/2018 and 31/3/2019	17,978
Accumulated Amortisation	
At 1/4/2017	13,483
Amortise for the year	4,563
Exchange realignment	(68)
At 31/3/2018 and 31/3/2019	17,978
Net Carrying Amount	
At 31/3/2019	-
At 31/3/2018	-

11. GOODWILL

	2019	2018
	HK$	HK$
Cost and carrying amount		
Acquisition at a subsidiary	185,144	185,144

12. DEFERRED TAX ASSETS

	Related depreciation in excess of depreciation allowance
	HK$
At April 1, 2018	42,032
Deferred tax credited to the statement of profit or loss during the year (Note 8)	37,091
Exchange realignment	(642)
Gross deferred tax assets recognized in the consolidated statement of financial position at March 31, 2019	78,481

13. TRADE RECEIVABLES

	2019	2018
	HK$	HK$
Trade receivables (Note)	3,167,927	10,181,779

Note: Aging analysis of trade receivables is as follows:

Neither past due nor impaired	3,167,927	10,181,779

14. AMOUNT DUE FROM A FELLOW SUBSIDIARY

Amount due from a fellow subsidiary 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 (Cap. 622) are as follows:

Name of borrower	2018	2019	Maximum outstanding
	HK$	HK$	HK$
Norwest Industries Limited	-	307,050	307,050
Poeticgem Australia Limited	1,556,000	-	1,556,000
Green Apparel Industrial Limited	466,800	-	466,800
PDS Asia Star Corporation Limited	2,555,730	-	2,555,730
	4,578,530	307,050	

Principal terms: The amount due from a fellow subsidiary is interest free, unsecured and has no fixed repayment terms.

15. TRADE AND OTHER PAYABLES

	2019	2018
	HK$	HK$
Trade payables (Note)	1,821,430	6,801,460
Trade deposit received	717,820	435,314
Other payables and accruals	340,648	1,338,702
	2,879,898	8,575,476

Note: Maturity of the trade payables is as follows:

	2019	2018
Due for payment:		
Not later than one year	1,821,430	6,801,460

Trade payables are non-interest bearing and have no fixed credit terms.

16. AMOUNTS DUE TO IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES

Amounts due to immediate holding company/fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

17. SHARE CAPITAL

	2019		2018	
	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.

GRUPO SOURCING LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2019	2018
		HK$	HK$
Non-Current Assets			
Interest in a subsidiary	(18a)	1,460,951	1,849,671
Current Assets			
Trade receivables		1,886,458	2,533,061
Deposits and prepayment		975,876	1,059,835
Amount due from a fellow subsidiary		307,051	4,578,530
Cash and cash equivalents		1,761,430	225,343
		4,930,815	8,396,769
Current Liabilities			
Amounts due from fellow subsidiaries		1,512,065	6,291,097
Amount due to immediate holding company		-	78,384
Trade and other payables		2,556,074	2,820,456
		4,068,139	9,189,937
Net Current Assets/(Liabilities)		862,676	(793,168)
NET ASSETS		2,323,627	1,056,503
EQUITY			
Share capital		778,000	778,000
Retained earnings	(19)	1,545,627	278,503
TOTAL EQUITY		2,323,627	1,056,503

APPROVED BY THE BOARD OF DIRECTORS ON MAY 28, 2019 AND SIGNED ON BEHALF OF THE BOARD BY:

Deepak Kumar SETH
Director

Pallak SETH
Director

18. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

(a) Interest in a Subsidiary

	2019	2018
	HK$	HK$
Unlisted investment, at cost	1,373,170	1,373,170
Amount due from a subsidiary (Note)	87,781	476,501
	1,460,951	1,849,671

(b) Particulars of subsidiary

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

Note: The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

19. MOVEMENT IN THE RESERVES OF THE COMPANY

	Retained Earnings
	HK$
At March 31, 2017	(693,178)
Profit for the year and total comprehensive income for the year	971,681
At April 1, 2018	278,503
Profit for the year and total comprehensive income for the year	1,267,124
At March 31, 2019	1,545,627

20. BANKING FACILITIES

General banking facilities granted by various banks were secured by the Group's fixed deposit, fellow subsidiaries' corporate guarantee, ultimate holding and immediate holding companies' corporate guarantee, directors' personal guarantee, life insurance policy and fellow subsidiary's properties.

21. CONTINGENT LIABILITIES

(a) The Group had the following contingent liabilities not provided for in the consolidated financial statements at the end of reporting period:

	2019	2018
	HK$	HK$
Irrevocable letter of credit	3,390,396	-
	=======	=======

(b) At the end of reporting period, there were mutual guarantees between the Group and its fellow subsidiaries.

22. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group's principal financial instrument comprises cash and cash equivalents. The main purpose of the financial instrument is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group operates internationally and is primarily exposed to foreign exchange risk arising from currency exposures of the United States dollars, with respect to the Hong Kong dollar. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

22. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk (Cont'd)

(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 related.

	2019 (Expressed in HK$)		
	BDT	USD	Total
Deposits and prepayment	12,005	975,876	987,881
Trade receivables	1,281,469	1,886,458	3,167,927
Trade and other payables	(4,853)	(2,556,074)	(2,560,927)
Tax payables	(56,134)	-	(56,134)
Cash and cash equivalents	790,709	1,760,385	2,551,094
Net exposure arising from recognised assets and liabilities	2,023,196	2,066,645	4,089,841

	2018 (Expressed in HK$)		
	BDT	USD	Total
Deposits 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

22. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk (Con'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.

	2019		2018	
	Increase	Decrease	Increase	Decrease
	HK$	HK$	HK$	HK$
Bangladeshi Taka (BDT)	168,937	(168,937)	202,317	(202,317)

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 2018.

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

22. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

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 immediate holding 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.

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	2019	2018
			HK$	HK$
Multinational Textile Group Ltd.	Immediate holding company	Management and service fee	140,040	282,414
		SAP expenses	15,560	-
Global Textiles Group Limited	Fellow subsidiary	Consulting fee	746,880	-
Norwest Industries Limited	Fellow subsidiary	Marketing fee income	1,488,619	-
Poetic Brand Limited	Fellow subsidiary	Sales	-	977,782
Poeticgem International Ltd.	Fellow subsidiary	Sales	-	96,745
		Consulting fee	-	746,880
			======	=======

24. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2019

Up to the date of issue of these consolidation financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended March 31, 2019 and which have not been adopted in these consolidation financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	January 1, 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	January 1, 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	January 1, 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	January 1, 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.

25. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Group's Board of Director on May 28, 2019.

Auditors' Report

&

Audited Financial Statement

OF

Green Smart Shirts Limited

As at & For the year ended 31 March 2019

Gulshan Pink City
Suites # 01-03, Level : 7, Plot # 15, Road # 103
Gulshan Avenue, Dhaka - 1212, Bangladesh

Phone : 880-2-8881824-6
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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF GREEN SMART SHIRTS LIMITED

Opinion

We have audited the financial statements of Green Smart Shirts Limited which comprise the statement of financial position as at 31 March 2019 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 a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the company as at 31 March 2019, and its financial performance and its cash flows for the year than ended in accordance with International Financial Reporting Standards (IFRSs).

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 Auditors' 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) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, 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.

Information Other than the Financial Statements and Auditors' Report thereon

Management is responsible for the other information. The other information comprises all of the information 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.

A. QASEM & CO. CHARTERED ACCOUNTANTS GULSHAN DHAKA

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Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the Companies Act 1994 and other applicable laws and regulations 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. The Companies Act, 1994 require the Management to ensure effective internal audit, internal control and risk management functions of the Company.

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 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 skepticism throughout the audit. We also:

a) 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.

b) 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.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

d) 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.

e) Evaluate the overall presentation, structure and content of the Company' financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events that achieves fair presentation.

A. QASEM & CO. CHARTERED ACCOUNTANTS DHAKA

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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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

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 accounts as required by law have been kept by the Company so far as it appeared from our examination of these books; and

c) the statements of financial position and statements of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of accounts and returns.

A. Qasem & Co.
Chartered Accountants

Date of Issue: 21 May 2019
Place of Issue: Dhaka, Bangladesh

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

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Green Smart Shirts Limited
Statement of Financial Position
As at 31 March 2019

	Notes	2019 BDT	2018 BDT
Assets			
Non-current assets			
Property, plant and equipment	4.00	881,721,037	276,531,281
Intangible assets	5.00	6,246,056	3,613,541
Capital work in progress	6.00	23,046,737	319,839,136
		911,013,829	**599,983,958**
Current assets			
Inventory	7.00	158,669,479	935,099
Advances, deposits and prepayments	8.00	36,085,476	146,871,134
Inter company receivables	9.00	141,332,082	67,232,758
Cash and cash equivalents	10.00	25,794,957	18,135,325
		361,881,993	**233,174,316**
Total assets		**1,272,895,822**	**833,158,275**
Shareholders' equity & liabilities			
Shareholders' equity			
Share capital	11.00	50,699,300	50,697,300
Share money deposit	12.00	1,054,032,439	795,636,528
Retained earnings		(244,507,619)	(128,847,007)
		860,224,120	**717,486,821**
Liabilities			
Current liabilities			
Other payables	13.00	411,316,208	114,915,896
Inter company payables	14.00	1,355,494	755,558
		412,671,703	**115,671,454**
Total shareholders' equity & liabilities		**1,272,895,822**	**833,158,275**

FOOTNOTES:
1. Auditors' Report - Page 1.
2. The accompanying notes 1-25 form an integral part of these financial statements.

Managing Director

Director

Date of issue: 21 May 2019
Place of issue: Dhaka, Bangladesh

A. Qasem & Co.
Chartered Accountants

Green Smart Shirts Limited
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 31 March 2019

	Notes	2019 BDT	2018 BDT
Revenue			
Export sales	15.00	461,237,812	-
Less: cost of good sold	16.00	(406,397,852)	-
Gross profit		**54,839,961**	**-**
Other income	17.00	14,672,466	-
		69,512,427	**-**
Operating expenses			
Administrative expenses	18.00	140,219,874	111,952,586
Marketing & selling expenses	19.00	34,544,101	-
Operating depreciation	20.00	10,546,519	
		(185,310,495)	**(111,952,586)**
Operating loss		**(115,798,068)**	**(111,952,586)**
Financial income	21.00	137,456	72,091
Loss before tax		**(115,660,612)**	**(111,880,495)**
Income tax expenses		-	-
Loss before tax		**(115,660,612)**	**(111,880,495)**
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		**(115,660,612)**	**(111,880,495)**

FOOTNOTES:

1. Auditors' Report - Page 1.
2. The accompanying notes 1-25 form an integral part of these financial statements.

Managing Director | **Director**

Date of issue: 21 May 2019
Place of issue: Dhaka, Bangladesh

A. Qasem & Co.
Chartered Accountants

Green Smart Shirts Limited
Statement of Changes in Shareholder's Equity
For the year ended 31 March 2019

Amounts in BDT

Particulars	Share capital	Retained earnings	Share money deposit	Total
Balance as at 31 March 2018	**50,697,300**	**(128,847,007)**	**795,636,528**	**717,486,821**
Addition during the period				
Share capital	2,000	-	-	2,000
Share money deposit		-	274,457,690	274,459,690
Adjustment share money deposit			(16,061,779)	(16,061,779)
Total comprehensive loss for the period	-	(115,660,612)	-	(115,660,612)
Balance as at 31 March 2019	**50,699,300**	**(244,507,619)**	**1,054,032,439**	**860,224,120**

Managing Director

Director

Date of issue: 21 May 2019
Place of issue: Dhaka, Bangladesh

A. Qasem & Co
Chartered Accountants

Green Smart Shirts Limited
Statement of Cash Flows
For the year ended 31 March 2019

	2019 BDT	2018 BDT
Cash flows from operating activities		
(Loss) before tax	(115,660,612)	(111,880,495)
Add: Non cash items		
Depreciation	33,574,194	-
Changes in working capital		
(Increase)/decrease in current assets		
Inventory	(157,734,380)	(914,741)
Advances, deposits and prepayments	110,785,659	(83,282,842)
Inter company receivables	(74,099,324)	(67,197,508)
Increase/(decrease) in current liabilities		
Other payable	296,400,313	81,607,818
Inter company payables	599,936	(46,044,443)
Cash generated from operating activities	**93,865,785**	**(227,712,211)**
Direct tax	-	-
Net cash flows from operating activities	**93,865,785**	**(227,712,211)**
Cash flows from investing activities		
Payment for Assets	(344,604,065)	(189,209,560)
Net cash used in investing activities	**(344,604,065)**	**(189,209,560)**
Cash flows from financing activities		
Increased in Share capital	2,000	46,645,100
Share money deposit	258,395,911	635,723,753
Net cash generated by financing activities	**258,397,911**	**682,368,853**
Net change in cash and cash equivalents	7,659,631	(14,697,740)
Cash and cash equivalents at the beginning of the period	18,135,325	32,833,065
Cash and cash equivalents at the end of the period	**25,794,957**	**18,135,325**
Represented by:		
Cash at bank	23,681,365	16,305,333
Cash in hand	2,113,592	1,829,992
	25,794,957	**18,135,325**

Managing Director **Director**

Date of issue: 21 May 2019
Place of issue: Dhaka, Bangladesh

A. Qasem & Co.
Chartered Accountants

Green Smart Shirts Limited
Notes to the Financial Statements
For the year ended 31 March 2019

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), and other applicable laws and regulations.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 April 2018 to 31 March 2019.

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 IFRSs.

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

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 IASs.

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.

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 IAS-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 IAS 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.

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

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 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 IAS 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".

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

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 in accordance with IAS-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.

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 Disclosure for new IFRS-16

IFAC has issued IFRS 16 which has been adopted in Bangladesh and applicable from 01 January 2019. IFRS 16 will be applied in financial statements of GSSL from 01 April 2019. Under the IFRS 16 all long term operating leases will be recognized as "right of use assets'. Asset value will be measured at present value of lease payments for the estimated period of use.

Rented office building of GSSL need to assessed under IFRS-16. Due to adoption of IFRS 16, 'Right of Use' assets and 'Lease Liability' will be included in the next year financial statements which will be measured at present value of lease payment for the rental period. 'Right of use' assets will be amortized based on the remaining lease period and Interest expenses will be charged on the lease liability. Amortization expense and Interest expenses arising from adoption of IFRS 16 will lead to deferred taxation as tax authorities will disallow these expenses but allow the actual rent payments. For deferred taxation, IAS 12 will be applicable.

Total effect of adopting IFRS 16 is currently being assessed. As a result total impact of IFRS 16 in next year financial statements cannot be determined at this point.

A. QASEM & CO. CHARTERED ACCOUNTANTS DHAKA

3.15 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 the statutory audit fees, Quarterly audit fee and group reporting 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.

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

4.00 Property, plant and equipment

Amounts in BDT

Particulars	Cost				Rate %	Depreciation				Written down value
	Opening balance	Addition / transfer during the period	Adjustment/ disposal during the period	Closing balance		Opening balance	Charged during the period	Adjustment/ disposal during the period	Closing balance	
Freehold Land	95,722,339	6,805,282	-	102,527,621	0%	-	-	-	-	102,527,621
Plant & Machinery	125,218,366	82,412,352	-	207,630,718	10%	3,070,368	15,976,607	-	19,046,974	188,583,744
Furniture & Fixtures	11,026,058	22,324,076	-	33,350,134	10%	267,354	2,451,401	-	2,718,754	30,631,380
Office Equipment	713,287	870,333	-	1,583,620	33%	17,549	147,797	-	165,345	1,418,275
Freehold Building	-	453,750,971		453,750,971		-	3,642,756		3,642,756	450,108,216
Other Equipment	546,010	2,871,815	-	3,417,825	33%	12,558	243,391	-	255,949	3,161,876
IT Equipment	5,698,914	8,051,795	-	13,750,710	33%	468,453	2,694,067	-	3,162,520	10,588,189
Telephone Installation & Connection	91,000	-	-	91,000	10%	2,244	9,170	-	11,414	79,586
Fire Protection & Prevention Equipment	-	642,250.00	-	642,250	10%	-	39,179	-	39,179	603,071
Air Conditioners	756,250	41,366,933	-	42,123,183	10%	18,648	114,112	-	132,760	41,990,423
Electrical Installation	41,133,895	14,027,965	-	55,161,860	10%	517,665	2,643,954		3,161,619	52,000,241
Original cost-Other Low Value Assets	1,032,994	4,435,529	-	5,468,523	100%	1,032,994	4,407,114		5,440,108	28,415
Balance as at 31 March 2019	**281,939,113**	**637,559,302**	**-**	**919,498,415**		**5,407,832**	**32,369,546**	**-**	**37,777,378**	**881,721,037**
Balance as at 31 March 2018		**281,939,113**		**281,939,113**			**5,407,832**		**5,407,832**	**276,531,281**

5.00 Intangible assets

Amounts in BDT

Particulars	Cost				Rate %	Depreciation				Written down value
	Opening balance	Addition / transfer during the period	Adjustment/ disposal during the period	Closing balance		Opening balance	Charged during the period	Adjustment/ disposal during the period	Closing balance	
Software/ERP	3,812,098	3,837,162	-	7,649,260	25%	198,557	1,204,648	-	1,403,204	6,246,056
Balance as at 31 March 2019	**3,812,098**	**3,837,162**	**-**	**7,649,260**		**198,557**	**1,204,648**	**-**	**1,403,204**	**6,246,056**
Balance as at 31 March 2018		**3,812,098**		**3,812,098**			**198,557**		**198,557**	**3,613,541**

		Notes	As at 31 March 2019	As at 31 March 2018
			Amounts in BDT	
6.00	**Capital work in progress**			
	Opening balance		319,839,136	130,629,576
	Addition during the period		344,604,065	471,148,673
			664,443,200	601,778,249
	Less: transfer during the period		641,396,464	281,939,113
	Closing balance at the end of the period	6.01	**23,046,737**	**319,839,136**
6.01	**CWIP Closing Balance**			
	Capital work in Progress-Building		-	262,951,863
	Capital Work In Progress - Plant & Machinery		-	31,871,000
	Capital Work In Progress - Furniture & Fixture		-	5,560,097
	Capital work in Progress-Others		23,046,737	19,456,176
			23,046,737	**319,839,136**
7.00	**Inventory**			
	Finished Goods-Manufacturing		11,445,238	-
	Goods in Transit		41,348,150	-
	Semi Finished Goods-Manufacturing		19,308,981	-
	Fabric - Body		64,730,674	-
	Acc & Trim Mfg.		20,126,738	-
	Fabric for Training		-	13,755
	Trims & Accessories for Training		-	6,258
	Production Consumables		168,976	-
	Stationaries & General Consumable		95,317	203,061
	IT consumables		-	-
	Mechanical, Electrical & Plumbing		942,708	2,280
	Fuel		408,636	578,700
	Store & Spare Parts		94,060	131,044
			158,669,479	**935,099**
8.00	**Advances, deposits and prepayments**			
	Pre-operative Exp-others		954,100	1,838,575
	Advance Tax		2,500,029	-
	Security Deposits - Rents		850,000	850,000
	Security Deposits - Utilities		14,595,947	14,595,947
	Security Deposits - Others		-	4,590,783
	Advance Against Expenses		39,000	1,365,352
	Advance Against Salaries		195,000	-
	Advance to Vendors		24,900	-
	Prepaid Expenses		2,619,184	-
	Employee payable		-	1,765,330
	Other Advances	8.01	14,307,315	121,865,148
			36,085,476	**146,871,134**

	Notes	As at 31 March 2019	As at 31 March 2018
8.01 Advance to others			
FLORA LIMITED		-	3,225,388
Disha Construction		-	6,320,102
HVAC Engineering Limited		-	12,155,297
Biztech Business Ltd.		-	14,701,459
Disha Properties		-	1,614,650
DNR Developer		-	5,028,069
NDE Ready Mix Concrete Ltd.		-	1,431,032
Shahjadpur Nazma Sanitary Mart		-	1,151,473
SAAD MUSA GROUP		-	10,934,180
BANDO APPARELS LTD.		-	14,421,235
Binyash		-	2,485,000
MD ABUL KALAM		-	5,089,061
Bangladesh Building Systems. Ltd.		-	11,153,230
Others		-	32,154,971
A.K. ACCESSORIES (PVT.) LTD.		36,740	-
AKHI FURNITURE		100,000	-
AL-MUSLIM ACCESSORIES LTD		52,254	-
AMAN CEMENT MILLS UNIT-2 LIMIT		77,000	-
AMANN Bangladesh Ltd.		17,338	-
ANH Enterprise Limited		450,500	-
ARVIND LIMITED		452,384	-
B. T. INDUSTRIES		476,830	-
BABUL		222,000	-
Bangla Power		1,200,000	-
BHT INDUSTRIES LTD.		25,258	-
Britto Design & Development L		1,024,000	-
CRAYON SOFTWARE EXPORTS INDIA		1,230,630	-
DC NURSERY & SERVICES		200,000	-
EFAZ FASHION		62,333	-
EMAAJ ACCESSORIES (BD) LTD.		74,969	-
ESQUEL ENTERPRISES LIMITED		73,174	-
Experience Accessories Co. Lim		2,464	-
JBL ACCESSORIES		48,206	-
KC BUTTON PRODUCTS CO.,LTD		2,644,124	-
L.K TRADERS & ENGINEERING		1,070,000	-
LIANFA TEXTILE		88,202	-
M&U Packaging Ltd.		43,556	-
M/S MORIUM THAI- ALUMINIAM		73,680	-
MD. MOTIUR RAHMAN		50,000	-
Mistry Tech Ltd		504,000	-
Modern Testing Services(Bangla		29,140	-
MZ international (H.K.) company		519,150	-
NAYEEM ACCESSORIES		227,959	-
ORIENT BUTTONS LTD		34,976	-

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

	Notes	As at 31 March 2019	As at 31 March 2018
QINGDAO JIFA XINHENG TEXTILE C		86,749	-
RAPID TRIM SOLUTION		60,922	-
RedStar Accessories		48,416	-
ROYAL TOUCH		46,866	-
SENSING CLOTHING CO.,LIMITED		32,284	-
SGS Hong Kong Ltd.		221,102	-
SHENZHEN COLOURIMAGE TEXTILE C		524,472	-
Shirley Technologies Ltd		200,489	-
Speed Line Express Ltd.		45,639	-
SRN Electronics		238,000	-
Techlink International LLC		3,772	-
TEXWORLD ACCESSORIES & YARN PR		198,792	-
UNIFY PRINTING AND PACKAGING I		1,471,696	-
Yunusco T&A (BD) Limited		10,717	-
ZHANGJIAGANG ALMA ACCESSORY CO		6,532	-
		14,307,315	**121,865,148**

9.00 Inter company receivables

Green Apparel Industries Limited, Hong Kong		141,332,082	67,232,758
		141,332,082	**67,232,758**

10.00 Cash and cash equivalents

Cash at bank	10.01	23,681,365	16,305,333
Cash in hand		2,113,592	1,829,992
		25,794,957	**18,135,325**

10.01 Cash at bank

BRAC Bank Ltd-Taka A/C		76,465	6,341,640
HSBC-001-005065-011-Main Bank Account (BDT)		-	6,683,219
HSBC-001-005065-047-FC Bank Account (USD)		353,917	2,686,462
HSBC-001-005065-091-USD-Margin Account		899,055	-
Dutch Bangla Bank-19911013497-Main Bank [BDT]		66,117	
EASTERN BANK LIMITED MAIN BANK ACCOUNT		22,247,222	
Commercial Bank Of Ceylon-Taka A/C		38,589	594,012
		23,681,365	**16,305,333**

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

	Notes	As at 31 March 2019	As at 31 March 2018

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

Shareholding position as at 31 March 2018 and 31 March 2019 was as follows:

		As at	
		31-Mar-19	31-Mar-18
Paid up capital	**Shares held**	**Amounts in BDT**	
Green Apparel Industries Limited, Hong Kong	506,933	50,695,300	50,693,300
Mr. Ajai Singh	10	1,000	1,000
Mr. Md. Fateh Ul Islam	10	1,000	1,000
Mr. Om Prakash Makam	10	-	1,000
Mr. Pallak Seth	10	-	1,000
Mr. Anuragh	10	1,000	-
Mr.Shree Shyam	10	1,000	-
	506,993	**50,699,300**	**50,697,300**

12.00 Share money deposit

Opening balance	795,636,528	670,499,650
Addition during the period	274,457,690	125,136,878
FC Adjustment during the period	(16,061,779)	-
	1,054,032,439	**795,636,528**
Less- Transfer to share capital	-	-
	1,054,032,439	**795,636,528**

13.00 Other payables

ADVANCE ENVIRONMENTAL SERVICES	720,839	769,951
AKIJ Textile Mills Ltd	1,921,275	-
AMANAT SHAH FABRICS LTD.	2,206,620	-
APL ASSOCIATES	525,584	-
APPAREL PROCESSING INDUSTRIES	568,067	37,331
BHT INDUSTRIES LTD.	587,211	
Britannia Garment Packaging	798,402	913,726
COATS BANGLADESH LTD	1,328,438	-
EMAAJ ACCESSORIES (BD) LTD.	1,553,690	-
F V BANGLADESH	1,508,233	2,175,000
Golden Line Accessories Ltd.	6,499,946	-
Green apparel industries Limit	99,444,103	-
HANGZHOU HANGMIN DAMEI DYEING	1,669,800	-
HK ASSOCIATES	539,905	1,553,500
Jonaki Enterprise	809,885	44,311,911
Juki Singapore PTE Ltd.	31,379,598	14,198,257
M/S Padma Engineering Works	632,119	-

A. QASEM & CO. CHARTERED ACCOUNTANTS GULSHAN DHAKA

	Notes	As at 31 March 2019	As at 31 March 2018
Monohar Filaments (BD) Ltd		914,008	-
MONTRIMS LTD		2,964,285	-
Mostan Engineering Works		1,620,191	-
Mymensingh Palli Bidyut Samity		589,134	-
Optimal Technology (Pvt.) Ltd.		539,357	-
PACKMAN BANGLADESH LTD		2,763,434	-
PARAMOUNT TEXTILE LIMITED		1,733,869	-
Powermann Bangladesh Limited		500,000	-
RAPID TRIM SOLUTION		2,919,247	-
RBM TRIMS BD LTD		650,741	-
Sharmin Freight Systems Ltd		658,912	-
SILVER COMPOSITE TEXTILE MILLS		4,218,733	-
SML PACKAGING SOLUTIONS BANGLA		2,900,847	-
SQ WIRE & CABLE CO.,LTD		802,474	-
SQUARE APPARELS LTD		4,208,092	-
STANDARD FREIGHT LTD .		767,548	-
TEXWORLD ACCESSORIES & YARN PR		667,228	-
WINDA TECHNOLOGY LIMITED		630,718	-
ZABER & ZUBIR FABRICS LTD		3,949,530	-
Zoje Sewing Machine Co. Ltd.		2,322,240	-
GRIR		164,368,828	-
Salary Payable		21,989,767	-
Advance against Export		6,146,720	-
HSBC-001-005065-011-Main Bank Account (BDT)		16,283,755	-
Other Payable		13,512,837	50,956,220
		411,316,208	**114,915,896**

14.00 Inter company payables

Norwest Industries Limited, Hong Ko		382,514	-
Poeticgem Limited		515,866	-
Styleberry Limited		132,020	-
Progress Apparels (Bangladesh) Ltd		325,095	755,558
		1,355,494	755,558

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

	Notes	For the year ended 31 March 2019	For the year ended 31 March 2018
		Amounts in BDT	
15.00 Export sales			
Sales-Garment		461,237,812	-
		461,237,812	
16.00 Cost of good sold			
Material Consumption		254,903,356	1,721,715
Direct Labour	16.01	91,337,430	4,801,516
Sub Contract	16.02	-	3,087,713
Factory Overhead	16.03	36,309,392	12,363,442
Manufacturing Depreciation	16.04	23,847,674	4,621,027
		406,397,852	**26,595,413**
16.01 Direct Labour			
Wages		66,123,776	26,795,664
Wages - Temporary Workers		-	97,342
Production Incentive - Workers		498,826	-
Overtime - Worker		20,447,259	7,197,579
Festival Bonus-Workers		3,735,337	415,585
Life Insurance Contributions-Workers		-	71,000
Overtime Expenses		-	1,544
Maternity Allowance		532,232	-
		91,337,430	**34,578,714**
16.02 Sub Contract			
Sub Contracting Exp.		-	3,087,713
		-	**3,087,713**
16.03 Factory Overhead			
Consump - Factory Consumables		795,646	86,429
Gain/Loss on Physical Inventory		2,566,588	-
Plant and Machinery Hire Charges		1,490,928	61,750
Loading & Unloading Charges		50,338	273,845
MEP & Other Consumables		1,414,110	-
Food Allowance - Supervisor		-	8,306
Tiffin Expenses		616,669	5,700
Medical Benefits & Expenses		56,637	13,911
Accomodation Expenses		-	155
Security Charges		5,045,524	3,671,967
Staff Welfare Expenses		1,289,969	59,378
Festival Expenses-Staff		167,100	725,468
Factory Audit Charges on comp A/C		608,968	-
Insurance - Marine Cargo		2,418,430	183,920
Repairs & Maintenance - Building		475,347	9,400

A. QASEM & CO. CHARTERED ACCOUNTANTS DHAKA

	Notes	For the year ended 31 March 2019	For the year ended 31 March 2018
		Amounts in BDT	
Repairs & Maintenance - Vehicle		193,172	-
Repairs & Maintenance - Others		331,148	642,511
Repairs & Maintenance - Furniture & Office Equip.		124,082	133,629
Repairs & Maintenance - Computer Equipments		57,197	123,179
Repairs & Maintenance - Generator		85,200	15,100
Repairs & Maintenance - Air Conditioners		52,239	21,455
Generator Running & Fuel		49,900	874,250
Diesel for Boiler		5,942,150	1,223,710
Electricity Charges		7,533,506	3,270,340
Housekeeping & Cleaning Expenses		3,464,379	771,453
Annual Maintenance Contract		156,000	36,000
Printing & Stationery		101,473	151,586
Printing Expenses		76,943	-
Stationery expenses		62,638	-
Festival Expenses-Others		1,083,112	-
		36,309,392	12,363,442

16.04 Manufacturing Depreciation

Depreciation - Plant & Machineries		16,796,607	3,070,368
Depreciation - Electrical Installations		2,643,954	517,665
Depreciation - Low Value Assets		4,407,114	1,032,994
		23,847,674	4,621,027

17.00 Other income

Sales - Others		14,658,173	-
Miscellanous Income		14,293	-
		14,672,466	-

18.00 Administrative expenses

Salary		85,200,991	47,180,236
Bonus - Staff		6,832,154	1,376,214
Staff Training Expenses		210,241	67,230
Insurance - Employees Health/Medical-Staff		-	-
Life Insurance Contributions-Staff		28,730	202,730
Leave Travel Allowance		-	168,000
Immigration/Visa Expenses		214,263	78,352
Club & Membership Fees		12,000	-
Salaries to Overseas Employees		740,000	-
Staff Allowance Expenses		4,646,381	1,114,718
Leave Encashment		6,133,511	
Legal & Professional Charges		1,134,136	335,395
Tax Consultants Fees		141,450	-
Auditors' Remuneration		391,394	274,776

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

	Notes	For the year ended 31 March 2019	For the year ended 31 March 2018
		Amounts in BDT	
Internal Audit Fees		1,300,320	1,744,413
Insurance - General		181,558	-
Insurance - Vehicle		38,000	-
Insurance - Building		107,679	-
Insurance - Travel		12,080	2,357
Rent - Office		2,504,125	2,346,000
Rates & Taxes (Local)/Regn Fees		19,241	146,619
Service Expense		192,000	192,000
Car Hire Charges - On Call		10,340,028	5,006,803
Car Parking Charges		-	9,410
Vehicle Fuel		707,650	1,895,581
IT - Consumables		94,691	-
Office Supplies		6,247	251,009
Office Expenses		185,086	293,524
Postage & Stamps Expenses		14,485	47,596
Courier Charges - Local		42,803	59,035
Telephone Expenses		2,393	3,330
Mobile Phones Expenses		1,013,749	760,157
Internet & Email Charges		369,496	269,143
Software Expenses		66,326	-
Website Subscription Charges		2,400	2,400
Donations		12,500	104,000
Gifts & Testimonials		68,317	9,048
Newspaper, Books & Periodicals		-	1,000
Travel Local		12,980	348,445
Conveyance Expenses		559,308	492,974
Directors Remuneration		3,280,959	2,060,700
Entertainment Expenses		1,062,629	847,406
Written Off - Sundry Balances		-	-
Communication Expenses		2,000	-
Government Fees		3,867,541	510,590
Miscellenous Expenses		3,311,548	2,172,340
Miscellenous Expenses Written off		39,281	-
License Fees		370,924	453,887
Interest - Bank Over Draft		256,070	-
Bank Charges - Others		2,391,264	118,606
Pre-operative Exp Charged Off		2,098,945	207,310
		140,219,874	**71,153,334**

A. QASEM & CO.
DHAKA
CHARTERED ACCOUNTANTS

	Notes	For the year ended 31 March 2019	For the year ended 31 March 2018
		Amounts in BDT	
19.00 Marketing & selling expenses			
Testing Charges		1,142,756	183,361
Custom Clearing Charges		8,281,238	3,643,882
Air Freight Charges BD		943,269	-
Handling/Transport Charges		5,750,593	3,026,676
Clearance Charges		1,352,842	301,316
Demurrage - Shipping/Port		117,500	-
Discount to Customer		145,709	-
Payment Discount to Customer		3,138,370	-
Inspection Fees		10,068	-
Courier Charges - International		1,316,312	1,091,816
Travel Overseas		4,928,659	3,417,896
Hotel Charges - Local		2,251,721	1,741,229
Hotel Charges - Overseas		38,228	256,778
Buyer's Entertainment Expenses		231,494	154,403
Trade shows expenses		425,000	
Advertisement Charges		95,800	133,847
Quality Control & Inspection Fees		75,038	-
Made Sample Expenses		12,785	-
Bought Sample Expenses		81,250	13,710
Sales Promotion Expenses		603,750	-
Bank Charges - LC		692,900	-
Bank LC Charges paid		2,908,821	238,925
		34,544,101	**14,203,839**
20.00 Operating depreciation			
Depreciation - IT Equipments		2,694,067	468,453
Depreciation - Furniture & Fixtures		2,451,401	267,354
Depreciation - Office Equipment		147,797	17,549
Depreciation - Freehold Building		3,642,756	-
Amortization - Software/ERP		1,204,648	198,557
Depreciation - Other Equipment's		243,391	12,558
Depreciation Telephone Installation & Connection		9,170	2,244
Depreciation - Fire Protection & Prevention Equip.		39,179	-
Depreciation - Air Conditioners		114,112	18,648
		10,546,519	**985,362**
21.00 Finance income			
Bank Interest Received		137,456	72,091
		137,456	**72,091**

A. QASEM & CO. DHAKA CHARTERED ACCOUNTANTS

22.00 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 IAS-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 2019
Green Apparel Industries Limited, Hong Kong	Parent	Intercompany Loan	67,232,758	503,309,313	669,986,175	(99,444,103)
Progress Apparel (BD) Ltd	Associate Company	Intercompany Loan	(755,558)	430,463	-	(325,095)

23.00 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.

24.00 General

24.01 Directors' remuneration for attending board meeting

No Board meeting attendance fee paid by the company.

24.02 Directors' remuneration for special service rendered.

During the audit period no remuneration has been paid to Managing Director and Directors.

24.03 Receivable from Directors

Nothing is receivable from the Director.

25.00 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. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

KPMG

KPMG Lower Gulf Limited
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Independent Auditors' Report

To the Shareholders of Kleider Sourcing FZCO

Opinion

We have audited the financial reporting package for Kleider Sourcing FZCO ("the Company") which comprise the balance sheet as at 31 March 2019 and the statements of profit or loss for the period Jan 17, 2019 to March 31, 2019.

In our opinion, the accompanying financial reporting package is prepared in all material respects, in accordance with the Group accounting policies of Multinational Textile Group Limited ("Group accounting policies"), attached as Appendix 1.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Group financial reporting package* 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 ethical requirements that are relevant to our audit of the group financial reporting package and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Basis of Accounting and Restriction on Use

The Group financial reporting package is prepared to assist the management to prepare the consolidated financial statements of Multinational Textiles Group Limited ("the Holding Company") and its subsidiaries (collectively referred to as "the Group"). As a result, the financial reporting package may not be suitable for another purpose. Our report is not modified in respect of this matter.

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Responsibilities of Management and Those Charged with Governance for the financial reporting package

Management is responsible for the preparation of the financial reporting package in accordance with the Group accounting policies, and for such internal control as management determines is necessary to enable the preparation of financial reporting package that are free from material misstatement, whether due to fraud or error.

In preparing the financial reporting package, 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.

Auditors' Responsibilities for the Audit of the financial reporting package

Our objectives are to obtain reasonable assurance about whether the financial reporting package as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 International Standards on Auditing 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 reporting package.

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

- Identify and assess the risks of material misstatement of the financial reporting package, 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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Auditors' Responsibilities for the Audit of the financial reporting package (continued)

- 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 auditors' report to the related disclosures in the financial reporting package 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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.

KPMG

KPMG Lower Gulf Limited
Date: 23 MAY 2019

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Kleider Sourcing FZCO
Statement of financial position as at March 31, 2019

	AED
Current assets	
Trade and other receivables	164,166
Prepaid rent	104,900
Cash at bank	195,307
Total current assets	**464,373**
Current liabilities	
Audit fee payable	5,000
Due to a related party	66,498
Total current liabilities	**71,498**
Net assets	**392,875**
Represented by:	
Share capital	100,000
Accumulated losses /profit	292,875
	392,875

For and on behalf of the Board

KLEIDER SOURCING FZCO
DAFZA
Dubai - U.A.E
كلايدر سورسينغ ش.م.ح

Kleider Sourcing FZCO
Statement of Profit and Loss for the 74 day period ended March 31, 2019

	AED
Revenue	
Commission Income	381,720
Total Revenue	**381,720**
Expenses	
Administrative and general expenses	66,598
Bank charges	22,247
Total Expenses	**88,845**
Net Profit	**292,875**
Administrative and general expenses	
License Fees	15,000
Legal & Professional Charges	11,813
Auditors' Remuneration	5,000
Rent - Office	26,676
Rates & Taxes (Local)/Regn Fees	8,110
	66,598
Bank charges	
Bank Charges - Others	550
Bank LC Charges paid	21,697
	22,247

Multinational Textile Group Limited and its subsidiaries

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

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.

Independent Auditor's Report and
Audited Financial Statements
of
MULTINATIONAL OSG SERVICES
BANGLADESH PRIVATE LIMITED
For the year ended 31 March, 2019

SFAI

Mak & Co.
Chartered Accountants

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Independent Auditor's Report along with Audited Financial Statements

For the year ended on 31 March, 2019

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF MULTINATIONAL OSG SERVICES BANGLADESH PRIVATE LIMITED

Opinion

We have audited the financial statements of **Multinational OSG Services Bangladesh Private Limited**, which comprise the Statement of Financial Position (Balance Sheet) as at 31 March, 2019, Statement Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of Multinational OSG Services Bangladesh Private Limited give a true and fair view of the financial position as at 31 March, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard (IFRS) and comply with other applicable laws and regulations.

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 Auditors' 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) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements and Internal Controls

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether 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

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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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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 consolidated and separate 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

In accordance with the Companies Act 1994, we also report the following:

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 accounts as required by law have been kept by the Company so far as it appeared from our examination of these books;

c) The statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

Dated; Dhaka
May 13, 2019

Mak & Co.
Chartered Accountants

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Mak & Co.
Chartered Accountants

Multinational OSG Services Bangladesh Private Limited
Statement of Financial Position (Balance Sheet)
As at March 31, 2019

Particulars	Notes	(Amount in Taka) 31.03.2019	31.03.2018
Property & Assets			
Non-current assets		**59,758,197**	**156,100**
Property, Plant & Equipment		59,758,197	-
Preliminary expenses		-	156,100
Current assets		**54,685,690**	**91,113,745**
Advance, deposit & prepayments	5	48,022,024	78,350,097
Cash and cash equivalents	7	6,663,666	12,763,648
Total assets:		**114,443,887**	**91,269,845**
Liabilities & Shareholders' Equity			
Current liabilities		**688,012**	**45,667**
Liabilities for expenses & payable	8	688,012	45,667
Shareholders' Equity			
Share Capital	9	1,000,000	1,000,000
Share money deposit		116,418,900	91,571,400
Retained profit		(3,663,025)	(1,347,222)
		113,755,875	**91,224,178**
Total equity and liabilities:		**114,443,887**	**91,269,845**

The annexed notes (1-11) form an integral part of these financial statements.

Managing Director

Director

Signed as per our annexed report of even date.

Dated: Dhaka;
2019, May 13

Mak & Co.
Chartered Accountants

SFAI

Mak & Co.
Chartered Accountants

Multinational OSG Services Bangladesh Private Limited
Statement of Comprehensive Income (Income Statement)
For the year ended on 31 March, 2019

Particulars	Notes	(Amount in Taka) 2018-19	2017-18
Turnover	10	1,552,802	-
Less: Cost of goods sold		-	-
Gross profit:		**1,552,802**	**-**
Less: Operating expenses:			
Administrative expenses	11	3,790,965	619,424
Profit from operation:		**(2,238,163)**	**(619,424)**
Other income		-	-
Profit before Interest & Taxes:		**(2,238,163)**	**(619,424)**
Less: Financial expenses		-	-
Profit before Income Tax:		(2,238,163)	(619,424)
Less: Income tax expenses		77,640	-
Net Profit:		(2,315,803)	(619,424)
Add: Other comprehensive income		-	-
Total comprehensive income		(2,315,803)	(619,424)

The annexed notes (1-11) form an integral part of these financial statements.

Managing Director

Director

Signed as per our annexed report of even date.

Dated: Dhaka;
2019, May 13

Mak & Co.
Chartered Accountants

Multinational OSG Services Bangladesh Private Limited
Statement of Changes in Equity
For the year ended on 31 March, 2019

(Amount in Taka)

Particulars	Paid up Capital	Share Money Deposit	Retained Earnings	Total Equity
Balance b/f	1,000,000	91,571,400	(1,347,222)	91,224,178
Add: Addition during the period	-	24,847,500	-	24,847,500
Profit (Loss) for the Period	-	-	(2,315,803)	(2,315,803)
Balance as at 31 March, 2019	**1,000,000**	**116,418,900**	**(3,663,025)**	**113,755,875**
Balance as at 31 March, 2018	**1,000,000**	**91,571,400**	**(1,347,222)**	**74,613,476**

The annexed notes (1-11) form an integral part of these financial statements.

Managing Director

Director

SFAI

Mak & Co.
Chartered Accountants

Multinational OSG Services Bangladesh Private Limited
Statement of Cash Flows
For the year ended on 31 March, 2019

Particulars	Notes	(Amount in Taka) 2018-19	2017-18
Cash flows from operating activities:			
Cash received form customer including advance rent		2,018,642	-
Cash paid to supplier and employee & government		(438,624)	(591,257)
Net cash used in operating activities (A):		**1,580,018**	**(591,257)**
Cash flows from investing activities:			
Advance against purchase of property		30,328,073	(63,652,539)
Purchase of intangible assets for the period		(62,855,573)	-
Net cash used in investing activities (B):		**(32,527,500)**	**(63,652,539)**
Cash flows from financing activities:			
Paid up capital		-	-
Share Money Deposit		24,847,500	75,232,900
Net cash generated from financing activities (C):		**24,847,500**	**75,232,900**
Net increase (decrease) in cash and cash equivalents during the year(A+B+C):		**(6,099,982)**	**10,989,104**
Cash and cash equivalent at the beginning of the period		12,763,648	1,774,544
Cash and cash equivalent at the ending of the period*		**6,663,666**	**12,763,648**
***Cash and cash equivalent includes:**			
Cash in hand	5	48,538	59,810
Cash at bank	5	6,615,128	12,703,838
		6,663,666	**12,763,648**

The annexed notes (1-11) 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 period ended 31 March, 2019

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 acquire the properties in the city of Dhaka and anywhere in Bangladesh and to let out those properties and 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, 2019;
- Statement of comprehensive income (Income statement) for the year ended on 31 March, 2019.
- Statement of changes in equity for the year ended on 31 March, 2019;
- Statement of cash flows for the year ended on 31 March, 2019; and
- Accounting policies and other explanatory notes for the year 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.

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, 2018 to 31 March 2019.

2.09 Cash Flow Statement

Statement of cash flows is prepared in accordance with "IAS 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 'IAS-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	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 IFRS 15 "Revenue from Contracts with Customers".

2.13 Provisions

As per "IAS 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 "IAS 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.

4 Property, plant and equipment

(Amount in Taka)

Particulars	Cost				Rate	Depreciation				WDV as at 31 Mar 2019
	Opening balance as at 01 April 2018	Addition during the year	Disposal during the year	Closing Balance as at 31 Mar 2019		Opening balance as at 01 April 2018	Charged during the year	Adjustment during the year	Closing Balance as at 31 Mar 2019	
Freehold Building-WIP		41,918,813		41,918,813		-	-		-	41,918,813
Furniture & Fixture	-	853,012	-	853,012	25%	-	73,887	-	73,887	779,125
Office Equipment	-	11,238,155	-	11,238,155	33.33%	-	1,594,719	-	1,594,719	9,643,436
IT Equipment	-	8,845,593	-	8,845,593	33.33%	-	1,428,770	-	1,428,770	7,416,823
As at March 31, 2019	-	**62,855,573**	-	**62,855,573**		-	**3,097,376**	-	**3,097,376**	**59,758,197**
As at March 31, 2018	-	-	-	-		-	-	-	-	-

Notes	Particulars			Ref.	Amount (in Taka) 31.03.2019	31.03.2018
5	**Advances, deposit & prepayments**					
	Advance against purchase of property				48,022,024	78,350,097
					48,022,024	**78,350,097**
6	**Advance Income Tax**					
	Opening Balance				-	-
	Add: Addition during the year				77,640	
	Less Adjustment during the year				-	
					77,640	**-**
	Less: Provision for Income Tax					
	Opening Balance				-	-
	Add: Provision made during the year				77,640	
	Less Adjustment during the year				-	
					77,640	**-**
					-	**-**
7	**Cash and cash equivalents**					
	Cash in hand				48,538	59,810
	Cash at bank			**5.1**	6,615,128	12,703,838
					6,663,666	**12,763,648**
7.1	**Cash at bank**					
	A/C No.-1804012756, Gulshan Branch, Commercial Bank of Ceylon.				6,615,128	12,703,838
					6,615,128	**12,703,838**
8	**Liabilities for expenses & Payable**					
	Audit fees				27,000	34,500
	Tax deducted at source				56,491	4,467
	VAT deducted at source				138,681	6,700
	Advance Rent Received				465,840	-
					688,012	**45,667**
9	**Share Capital**					
	Authorized Capital:				**200,000,000**	**200,000,000**
	[20,00,000 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)	
			2018-19	2017-18
10	**Turnover**			
	Rent Received		1,552,802	-
			1,552,802	**-**
11	**Administrative Expenses**			
	Office expenses		141,860	131,145
	Entertainment Expense		1,230	-
	Club & Membership fees		20,000	20,000
	Government Fees		59,244	227,474
	Bank Charges		14,640	19,143
	Legal & Professional Fees		90,721	146,912
	Staff welfare expenses		1,819	-
	Miscellaneous Expenses		100,000	-
	Advertisement Charge		47,600	-
	Audit Fees		60,375	74,750
	Amortization of Preliminery Expenses		156,100	
	Depreciation Charge		3,097,376	-
			3,790,965	**619,424**

Multinational Textile Group Limited and its subsidiaries

Consolidated financial statements

31 March 2019

Multinational Textile Group Limited and its subsidiaries

Consolidated financial statements
for the year ended 31 March 2019

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Multinational Textile Group Limited and its subsidiaries

Corporate data

Directors:

	Date of Appointment	Date of Resignation
Deepak Kumar Seth	15 May 2006	-
Payel Seth	15 May 2006	-
Pallak Seth	15 May 2006	-
Ashok Kumar Chhabra	28 March 2019	-
Deven Coopoosamy	01 March 2018	07 August 2018
Sharmil Shah	01 March 2018	-
Sheik Mohamad Ally		-
Shameem Kureemun	07 August 2018	
Krishna Ramguttee (Alternate to Shameem Kureemun)	07 August 2018	-
Navin Nagawa (Alternate to Sharmil Shah)	01 March 2018	-

Company secretary:
Rogers Capital Corporate Services Limited
3rd Floor, Rogers House
No. 5 President John Kennedy Street
Port Louis
Mauritius

Registered office:
(*As from 26 December 2018*)
C/o Rogers Capital Corporate Services Limited
3rd Floor, Rogers House
No. 5 President John Kennedy Street
Port Louis
Mauritius

(*Up to 25 December 2018*)
C/o Rogers Capital Corporate Services Limited
St Louis Business Centre
Cnr Desroches & St Louis Streets
Port Louis
Mauritius

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

Bankers:
HSBC Bank (Mauritius) Limited
6th Floor, HSBC Centre
Ebene
Mauritius

Multinational Textile Group Limited and its subsidiaries

Corporate data (continued)

Bankers:	AfrAsia Bank Limited Bowen Square 10, Dr Ferriere Street Port Louis Mauritius
	UBS AG London UK

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 ("the Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 March 2019.

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 8 and 9.

The Company has not declared and paid any dividend for the year under review. (2018: USD 1,000,000).

Statement of directors' responsibilities in respect of the 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.

Auditors

Our auditors, Lancasters Chartered Accountants have expressed their willingness to continue in office for the next financial year end.

By order of the Board

Director

Date: 29 MAY 2019

Multinational Textile Group Limited and its subsidiaries

Secretary's certificate
for the year ended 31 March 2019

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 2019

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 8 to 93 which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, 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

Date: 29 May 2019

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

Multinational Textile Group Limited and its subsidiaries

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 March 2019

	Notes	**2019 USD**	2018 USD
Revenue	9	**912,057,184**	755,088,908
Cost of sales		**(791,715,849)**	(659,318,729)
Gross profit		**120,341,335**	95,770,179
Operating income		**14,032,986**	8,827,252
Other income		**1,987,662**	2,256,897
Marketing, selling and distribution expenses		**(20,806,252)**	(13,691,520)
Manufacturing and other expenses		**(1,682,973)**	(1,046,303)
Share of loss of joint venture		**(142,206)**	(182,764)
General and administrative expenses		**(95,406,381)**	(84,388,852)
Depreciation and amortisation	12,13,20	**(3,372,320)**	(2,188,184)
Results from operating activities		**14,951,851**	5,356,705
Finance income		**545,239**	1,497,693
Finance costs		**(4,332,698)**	(2,993,781)
Net finance costs	10	**(3,787,459)**	(1,496,088)
Profit before taxation		**11,164,392**	3,860,617
Taxation	11	**(123,324)**	(398,725)
Profit for the year		**11,041,068**	3,461,892

The notes on pages 16 to 93 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 2019

	2019 USD	2018 USD
Other comprehensive income		
Net gain / (loss) on cash flow hedges	**157,681**	(271,815)
Foreign currency translation differences for foreign operations	**(2,931,995)**	(784,411)
Net movement in exchange reserves	**(92,299)**	1,010,072
Net movement in fair value through profit or loss reserves	**948,409**	(218,753)
Other comprehensive income for the year	**(1,918,204)**	(264,907)
Total comprehensive income for the year	**9,122,864**	3,196,985
Profit attributable to:		
Owners of the company	**7,222,474**	(785,630)
Non-controlling interest	**3,818,594**	4,247,522
Profit for the year	**11,041,068**	3,461,892
Total comprehensive income attributable to:		
Owners of the company	**5,317,624**	(1,110,262)
Non-controlling interest	**3,805,240**	4,307,247
Total comprehensive income for the year	**9,122,864**	3,196,985

The notes on pages 16 to 93 form part of these consolidated financial statements

Multinational Textile Group Limited and its subsidiaries

Consolidated statement of financial position
as at 31 March 2019

	Note	**2019 USD**	2018 USD
Assets			
Non-current assets			
Property, plant and equipment	12	**23,137,034**	10,940,876
Capital work in progress	12(b)	**2,079,668**	4,677,138
Intangible assets	13	**12,984,207**	7,147,698
Financial assets at fair value through profit or loss	14	**4,722,022**	-
Financial assets at fair value through other comprehensive income	15	**710,075**	-
Other investments	16	**246,270**	-
Available-for-sale investments	17	**-**	4,916,163
Held-to-maturity investments	18	**-**	3,941,956
Interest in joint ventures and associates	19	**3,911,189**	2,386,168
Investment property	20	**16,942,703**	18,031,113
Receivables	21	**2,089,334**	1,725,330
Deferred tax assets	22	**37,643**	24,924
Total non-current assets		**66,860,145**	53,791,366
Current assets			
Inventories	23	**19,361,838**	10,006,224
Financial assets at fair value through profit or loss	14	**2,514,870**	-
Available-for-sale investments	17	**-**	3,835,029
Trade and other receivables	24	**193,331,634**	165,437,907
Derivative financial instruments	33	**114,862**	95,548
Cash and cash equivalents	31	**34,418,131**	17,113,693
Total current assets		**249,741,335**	196,488,401
Total assets		**316,601,480**	250,279,767

Approved by the Board of Directors on. 29 MAY 2019 .... and signed on its behalf by

.... Director

.... Director

The notes on pages 16 to 93 form part of these consolidated financial statements

Multinational Textile Group Limited and its subsidiaries

Consolidated statement of financial position (continued)
as at 31 March 2019

	Note	2019 USD	2018 USD
Equity and liabilities			
Equity			
Stated capital	25	**21,948,270**	21,948,270
Reserves	26	**53,086,828**	48,522,112
Equity attributable to owners of the Company		**75,035,098**	70,470,382
Non-controlling interests	27	**5,798,919**	12,181,308
Total equity		**80,834,017**	82,651,690
Liabilities			
Non-current liabilities			
Long term loans	28	**9,244,249**	7,816,364
Payables	29	**646,025**	-
Employee benefits		**210,090**	-
Total non-current liabilities		**10,100,364**	7,816,364
Current liabilities			
Short term loans	30	**89,658,937**	74,879,286
Tax payable		**1,439,182**	3,657,842
Obligations under finance lease	38	-	3,214
Trade and other payables	32	**134,457,678**	81,007,900
Derivative financial instruments	33	**111,302**	263,471
Total current liabilities		**225,667,099**	159,811,713
Total liabilities		**235,767,463**	167,628,077
Total equity and liabilities		**316,601,480**	250,279,767

Approved by the Board of Directors on. 29 MAY 2019 .... and signed on its behalf by

Director   Director

The notes on pages 16 to 93 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 2019

	Stated capital USD	Hedging reserves USD	Translation reserves USD	Capital reserves USD	Retained earnings USD	Fair Value reserves USD	Total USD	Non-controlling interests USD	Total equity USD
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									
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) /profit 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)
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 16 to 93 form part of these consolidated financial statements

Multinational Textile Group Limited and its subsidiaries

Consolidated statement of changes in equity (continued)
for the year ended 31 March 2019

	Stated capital	Hedging reserves	Translation reserves	Capital reserves	Retained earnings	Fair Value reserves	Total	Non-controlling interests	Total equity
	USD	USD	USD	USD	USD	USD	USD	USD	USD
At 01 April 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**
Effect of adoption of IFRS 9	-	-	-	-	**(964,221)**	**660,832**	**(303,389)**	**(51,508)**	**(354,897)**
At 01 April 2018 as adjusted	**21,948,270**	**(1,374,812)**	**(2,467,360)**	**(1,365,841)**	**53,426,736**	-	**70,166,993**	**12,129,800**	**82,296,793**
Transactions with owners of the Company									
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	-	(8,132,591)	(8,132,591)
Adjustment during the year	-	-	(1,216)	-	212,523	(660,832)	(449,525)	(66,530)	(516,055)
Issue of shares to minority	-	-	-	-	-	-	-	58,986	58,986
Capital contribution by non controlling shareholder	-	-	-	-	-	-	-	7,792	7,792
Dividend declared and paid	-	-	-	-	-	-	-	(2,003,779)	(2,003,779)
Movement during the year	-	-	-	7	-	-	7	-	7
Total comprehensive income									
Profit for the year	-	-	-	-	7,222,474	-	7,222,474	3,818,594	11,041,068
Other comprehensive income									
Net movement in exchange reserves	-	-	-	-	(43,345)	-	(43,345)	(48,954)	(92,299)
Net movement in fair value reserves	-	-	-	-	-	833,176	833,176	115,233	948,409
Foreign currency translation differences on foreign operations	-	-	(2,852,363)	-	-	-	(2,852,363)	(79,632)	(2,931,995)
Net loss on cash flow hedges	-	157,681	-	-	-	-	157,681	-	157,681
At 31 March 2019	**21,948,270**	**(1,217,131)**	**(5,320,939)**	**(1,365,834)**	**60,818,388**	**172,344**	**75,035,098**	**5,798,919**	**80,834,017**

The notes on pages 16 to 93 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 2019

	2019 USD	2018 USD
Cash flows from operating activities		
Profit for the year	**11,041,068**	3,461,892
Adjustments for:		
Depreciation and amortisation	**3,372,320**	2,188,184
Share of loss of joint venture	**142,206**	182,764
Income tax expense	**123,324**	398,725
Exchange difference	**(2,551,845)**	(178,592)
Operating profit before changes in working capital	**12,127,072**	6,052,973
Changes in working capital		
Change in inventories	**(9,355,614)**	(4,679,897)
Change in receivables and trade and other receivables	**(28,257,730)**	(16,514,696)
Change in payables and trade and other payables	**53,828,784**	19,121,246
	28,342,511	3,979,626
Tax paid	**(2,087,682)**	(380,789)
Net cash from operating activities	**26,254,829**	3,598,837
Cash flows from investing activities		
Acquisition of property, plant and equipment and capital work in progress	**(12,787,041)**	(12,898,115)
Proceeds from sale of property, plant and equipment	**167,969**	62,132
Acquisition of financial assets at fair value through other comprehensive income	**-**	(788,848)
Proceeds from disposal of financial assets at fair value through other comprehensive income	**7,383,678**	-
Acquisition of available for sale investments	**-**	(2,588,761)
Acquisition of financial assets at fair value through profit or loss	**(2,652,857)**	-
Acquisition of intangible assets	**(5,859,759)**	-
Disposal of intangible assets	**-**	32,490
Acquisition of joint venture	**(1,525,021)**	(1,255,628)
Acquisition of investment property	**(8,383)**	(526,104)
Movement in non-controlling interest	**(8,132,591)**	-
Net cash used in investing activities	**(23,414,005)**	(17,962,834)

The notes on pages 16 to 93 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 2019

	2019 USD	2018 USD
Cash flows from financing activities		
Capital contributed by non-controlling interests	**7,792**	-
Dividend paid	**(2,003,779)**	(3,296,714)
Proceeds from share issued to non-controlling interests	**58,985**	7,326
Movement in derivative financial instrument	**(13,796)**	1,052
Movement in short terms loans	**14,779,651**	10,607,503
Movement in long term loans	**1,427,886**	3,933,717
Repayment of obligation under finance lease	**(3,214)**	(13,132)
Movement in employee benefits obligation	**210,089**	-
Net cash from financing activities	**14,463,614**	11,239,752
Net movement in cash and cash equivalents	**17,304,438**	(3,124,245)
Cash and cash equivalents at 01 April	**17,113,693**	20,237,938
Cash and cash equivalents at 31 March *(note 31)*	**34,418,131**	17,113,693

The notes on pages 16 to 93 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 2019

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 address of the registered office is C/O Rogers Capital Corporate Services Limited, 3rd floor, Rogers House, No. 5 President John Kennedy Street, Port-Louis, Mauritius.

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, other consumer products, manufacturing of garments and development of software apps services.

The consolidated financial statements for the year ended 31 March 2019 comprise of 'the Company and its subsidiaries which are as follows:

1	360 Notch Limited (Old Name: PoeticGem Australia Limited; GEM Australia Manufacturing Company Ltd) (July 31, 2015)	**41**	PDS Far-east Limited
2	BluePrint Design Ltd	**42**	PDS Asia Star Corporation Limited
3	Casa Forma Limited	**43**	PDS Far East USA, Inc.
4	Clover Collections Limited (formerly known as DS Manufacturing Limited / Designed and Sourced Limited)	**44**	PDS Global Investments Limited
5	Design Arc Asia Limited (Old Name: Design Arc Limited / NOR France Manufacturing Co. Ltd.)	**45**	PDS Trading (Shanghai) Co. Ltd
6	Design Arc Europe Limited (Old Name: Nor Europe Manufacturing Co. Limited)	**46**	PDS Ventures Ltd
7	Design Arc FZCO	**47**	PG Group Limited
8	Design Arc UK Limited	**48**	PG Home Group Limited
9	Digital Ecomm Techno Limited	**49**	PG Home Group SpA
10	Digital Internet Technologies Limited	**50**	PG Shangha Mfg Co. Ltd
11	Fabric & Trims Limited	**51**	Poetic Brands Limited
12	Fareast Vogue Limited	**52**	Poetic Knitwear Ltd
13	Fullhouse Manufacturing Limited (Old Name: Nor Delhi Manufacturing Limited)	**53**	Poeticgem Internataional Ltd
14	FX Import Co. Limited	**54**	Poeticgem Ltd
15	FX Imports Hong Kong Limited	**55**	Progress Apparels (Bangladesh) Limited
16	Global Textile Group Limited	**56**	Progress Manufacturing Group Ltd
17	Grand Pearl Trading Limited	**57**	Razamtaaz Ltd.
18	Green Apparel Industries Ltd	**58**	Recovered Clothing Limited

Multinational Textile Group Limited and its subsidiaries

Notes to and forming part of the consolidated financial statements
for the year ended 31 March 2019

1. **General information (continued)**

19	Green Smart Shirts Limited	**59**	Redwood Internet Ventures Limited
20	Grupo Sourcing Limited	**60**	Rising Asia Star Hong Kong Co., Limited (Old names: Techno Manufacturing Limited / Sino West Manufacturing Co Ltd)
21	Grupo Sourcing Limited Bangaldesh	**61**	SACB Holdings Limited
22	Jcraft Array Limited	**62**	Simple Approach (Canada) Ltd (Formerly: Poeticgem Canada Limited)
23	JJ Star Industrial Limited	**63**	Simple Approach Limted
24	Kindred Brands Limited (Old Name: NW Far-east Limited)	**64**	Smart Notch Industrial Limited
25	Kindred Fashions Limited	**65**	Smart Notch Ltd. (Shanghai)
26	Kleider Sourcing FZCO	**66**	Sourcing East West Limited
27	Kleider Sourcing Hong Kong Limited	**67**	Sourcing Solution Europe BVBA
28	Kleider Sourcing Limited Bangladesh	**68**	Sourcing Solutions Limited
29	Krayon Sourcing Limited (old name: Sourcing Solutions HK Limited)	**69**	Spring Near East FZCO
30	Multinational Textile Group Limited	**70**	Spring Near East Manufacturing Co. Limited
31	Multinational OSG Services Bangladesh Limited	**71**	Styleberry Limited
32	Multitech Venture Limited	**72**	Sure Investments Limited
33	Nor Europe SPA	**73**	Techno Design GmBH
34	Nor India Manufacturing Co. Limited	**74**	Techno Design HK Limited (Old Name: DPOD Manufacturing Limited)
35	Nor Lanka Manufacturing Colombo Limited	**75**	Technocian Fashions Pvt Limited
36	Nor Lanka Manufacturing Ltd	**76**	Twins Asia FZCO
37	Nor Lanka Progress Pvt Ltd	**77**	Twins Asia Limited (6Degree Manufacturing Ltd)
38	Norwest Industries Limited	**78**	Zamira Denim Lab Limited
39	Pacific Logistics Ltd	**79**	Zamira Fashions Limited
40	Parc Designs Private Limited	**80**	Zamira Fashions Limited Zhongshan

2. **Basis of preparation**

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in compliance with the Mauritius Companies Act 2001.

2. Basis of preparation (continued)

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention except for financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, other investments and derivative financial instruments which have been measured at fair value.

(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, directly or indirectly, 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 the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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.

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

(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.

(v) Interests in equity accounted investees

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

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not control or joint control, over those policies.

A joint venture is a type of joint arrangement in which the Group has joint control of the arrangement, whereby the Group has rights to the net assets of the joint venture, rather than rights to its assets and obligations for its liabilities. 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.

Interests in associates and the joint ventures are accounted for using the equity method of accounting. 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, less any impairment losses and, 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.

4. **Significant accounting policies**

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually as at 31 March and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Goodwill is not amortised.

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. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. 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 amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.
Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition 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 or loss.

Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Financial instruments (continued)

Classification and subsequent measurement

Financial assets: Policy applicable from 01 April 2018

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably
elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above
are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets measured at amortised cost include receivables, trade and other receivables, derivative financial instruments and cash and cash equivalents.

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

Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets - Business model assessment: Policy applicable from 01 April 2018

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintain a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis is measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 01 April 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit
risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.
In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whetherthe financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

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

Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 01 April 2018 (continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses: Policy applicable from 01 April 2018

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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

Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses: Policy applicable from 01 April 2018

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 01 April 2018

Initial recognition and measurement

Financial assets of the Group are classified, at initial recognition, as financial assets at FVTPL, held to-maturity financial assets, loans and receivables, available-for sale financial assets, 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 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

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

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 amortised cost using effective interest method, less any identified impairment losses.

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.

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

Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 01 April 2018 (continued)

Subsequent measurement (continued)

Loans and receivables (continued)

An impairment loss is recognised in the statement of profit or loss 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.

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 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 profit or loss. The loss arising from impairment is recognised in profit or loss.

Available-for-sale financial assets

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 profit or loss.

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

Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets – Subsequent measurement and gains and losses: Policy applicable before 01 April 2018 (continued)

Subsequent measurement (continued)

Available-for-sale financial assets (continued)

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.

Financial liabilities – Classification, subsequent measurement and gains and losses: Policy applicable before 01 April 2018

All financial liabilities are initially measured 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.

Financial liabilities measured at amortised cost comprise of Long term loans, short term loans, trade and other payables and payables.

The Group measures derivative financial instruments at fair value through profit and loss.

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

Financial instruments (continued)

Classification and subsequent measurement (continued)

Impairment of financial assets

Impairment of financial assets: Policy applicable from 01 April 2018

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

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

Financial instruments (continued)

Classification and subsequent measurement (continued)

Impairment of financial assets (continued)

Impairment of financial assets: Policy applicable from 01 April 2018 (continued)

Simplified approach

For trade and bills receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets: Policy applicable before 01 April 2018

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.

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 (that is the effective interest rate computed at initial recognition).

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

Financial instruments (continued)

Classification and subsequent measurement (continued)

Impairment of financial assets (continued)

Impairment of financial assets: Policy applicable before 01 April 2018 (continued)

The carrying amount of the asset is reduced either directly or 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 profit or loss.

Available-for-sale investments

For available-for-sale 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. 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.

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.

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

Financial instruments (continued)

Classification and subsequent measurement (continued)

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

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. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination
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. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets 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 consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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.

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

Foreign currencies

The Group's consolidated financial statements are presented in USD, which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss is reclassified to profit or loss reflects the amount that arises from using this method.

(i) Transactions and balances

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.

(ii) Group companies - 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.

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 profit or loss.

Revenue recognition – Policy applicable after 01 April 2018

Revenue from Contracts with Customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Revenue recognition – Policy applicable before 01 April 2018

Dividend income from investments is accounted for in profit or loss when the 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.

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

Revenue recognition – Policy applicable before 01 April 2018(continued)

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.

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.

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

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, or vice versa, or where the other party is subject to common control or common significant influence.

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.

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.

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.

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.

Trade and other payables

Trade and other payables are stated at cost.

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 reporting period.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment.

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 profit or loss 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 profit or loss as incurred.

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

Property, plant and equipment (continued)

Depreciation

Depreciation is recognised in profit or loss 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 profit or loss in the year the investment property is derecognised is the difference between the net sales proceeds and the carrying amount of the investment properties.

Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years. It is measured using the tax rates enacted at the reporting date.
Current tax is recognised in correlation to underlying transactions either in profit and loss or, other comprehensive income or directly in equity. Current tax assets and liabilities are offset only if certain criteria are met.

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 measured 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.

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.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position when and only when 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 consolidated financial statements.

Employee benefits

(i) Defined benefit plans

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 profit or loss.

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

<u>*Employee benefits (continued)*</u>

(ii) Other employee benefits – pension scheme

The Group operates a defined contribution 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.

<u>*Derivative financial instruments and hedge accounting*</u>

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.

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.

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

Derivative financial instruments and hedge accounting (continued)

Initial recognition and subsequent measurement (continued)

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 profit or loss.

Amounts recognised in other comprehensive income are transferred to 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.

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 e.g. 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.

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

Segment reporting (continued)

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.

Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- dividend income;
- dividend expense on preference shares issued classified as financial liabilities;
- the net gain or loss on the disposal of investments in debt securities measured at FVOCI;
- the net gain or loss on financial assets at FVTPL;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses (and reversals) on investments in debt securities carried at amortised cost or FVOCI;
- the reclassification of net gains and losses previously recognised in OCI on cash flow hedges of interest rate risk and foreign currency risk for borrowings

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

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

Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes finance income and finance costs, share of profit or loss of joint ventures and income taxes.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle:
- Held primarily for the purpose of trading:
- Expected to be realised within twelve months after the reporting period:
  Or
- 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.

A liability is current when:

- It is expected to be settled in the normal operating cycle:
- It is held primarily for the purpose of trading:
- It is due to be settled within twelve months after the reporting period:
  Or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Capital work in progress

Capital work in progress consists of acquisition costs, capital components and related installation costs, 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 recognised when risks and rewards associated with such assets are transferred to the Company.

No depreciation is charged on capital work in progress as this is not yet available for use.

Contract liabilities – Policy applicable from 01 April 2018

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

5. Changes in significant accounting policies

5.1 New and amended standards and interpretations that are mandatorily effective for the current year

The Group has applied IFRS 9 and IFRS 15 for the first time from 01 April 2018. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time from 01 April 2018 but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

(i) IFRS 9 Financial Instruments

IFRS 9 is effective for annual periods beginning on or after 01 January 2018, with early application permitted. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement and introduces new requirements for classification and measurement, impairment and hedge accounting.

Due to the transition methods chosen by the Group in applying this standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard.

IFRS 9 is not applicable to items that have already been derecognised at 01 April 2018, the date of initial application.

(a) Classification and measurement

Under IFRS 9, financial assets are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of 01 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 01 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the Group. The Group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the Group's financial assets:

- Financial assets previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, such instruments continue to be measured at amortised cost under IFRS 9.

5. **Changes in significant accounting policies (continued)**

5.1 New and amended standards and interpretations that are mandatorily effective for the current year (continued)

(i) IFRS 9 Financial Instruments (continued)

(a) Classification and measurement (continued)

The classification of financial liabilities under IFRS 9 remains broadly the same as under IAS 39. The main impact on measurement from the classification of liabilities under IFRS 9 relates to the element of gains or losses for financial liabilities designated as at fair value through profit or loss attributable to changes in credit risk. IFRS 9 requires that such element be recognised in other comprehensive income (OCI), unless this treatment creates or enlarges an accounting mismatch in profit or loss, in which case, all gains and losses on that liability (including the effects of changes in credit risk) should be presented in profit or loss. The Group has not designated any financial liabilities at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

a. Impairment

The impairment requirements are based on an expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. The ECL model applies to financial assets accounted for at amortised cost or at FVOCI, most loan commitments, financial guarantee contracts, and contract assets under IFRS 15 Revenue from Contracts with Customers and lease receivables under IAS 17 Leases or IFRS 16 Leases.

Entities are generally required to recognise 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then entities are required to recognise lifetime ECL.

b. Hedge accounting

The Group has not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS 9.

Impact of adoption of IFRS 9

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 01 April 2018, however, the Group has chosen to take advantage of the option not to restate comparatives. Therefore, the 2018 figures are presented and measured under IAS 39. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 01 April 2018.

5. **Changes in significant accounting policies (continued)**

5.1 New and amended standards and interpretations that are mandatorily effective for the current year (continued)

(i) IFRS 9 Financial Instruments (continued)

Impact of adoption of IFRS 9 (continued)

Financial assets

01 April 2018	**IAS 39 classification**	**IAS 39 Measurement (USD)**	**IFRS 9 Classification**	**IFRS 9 Measurement (USD)**
Available-for-sale investments	Available-for-sale	8,217,388	FVTPL	7,556,556
Available-for-sale investments	Available-for-sale	533,804	FVOCI	533,804
Held-to-maturity investments	Held-to-maturity	3,941,956	FVTPL	3,941,956
Receivables	Loans and receivables	782,101	Amortised cost	782,101
Derivative financial instruments	Available-for-sale	95,548	FVTPL	95,548
Trade and other receivables (i)	Loans and receivables	160,919,328	Amortised cost	160,564,436
Cash and cash equivalents	Loans and receivables	17,113,693	Amortised cost	17,113,693

(i) The Group has remeasured the carrying amount of trade and other receivables based on the ECL allowance

Financial liabilities

01 April 2018	**IAS 39 classification**	**IAS 39 Measurement (USD)**	**IFRS 9 Classification**	**IFRS 9 Measurement (USD)**
Loans	Amortised cost	81,300,799	Amortised cost	81,300,799
Trade and other payables	Other financial liabilities	81,007,900	Amortised cost	81,007,900
Derivative financial instruments	Other financial liabilities	263,471	Amortised cost	263,471
Obligations under finance lease	Other financial liabilities	3,214	Amortised cost	3,214

5. **Changes in significant accounting policies (continued)**

5.1 New and amended standards and interpretations that are mandatorily effective for the current year (continued)

(i) IFRS 9 Financial Instruments (continued)

Impact of adoption of IFRS 9 (continued)

The carrying amounts of amortised cost instruments continued to approximate these instruments fair values on the date of transition after transitioning to IFRS 9.

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9. Further details are disclosed in note 24 to the consolidated financial statements.

	Impairment allowances under IAS 39 at 31 March 2018 (USD)	Re-measurement (USD)	ECL allowances under IFRS 9 at 01 April 2018 (USD)
Trade and other receivables	17,809	354,897	372,706
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Impact on reserves and retained earnings

The impact of transition to IFRS 9 on reserves and retained earnings is as follows:

	Reserves and retained earnings (USD)
Retained earnings:	
Balance as at 31 March 2018 under IAS 39	54,390,957
Recognition of expected credit losses for trade and other receivables under IFRS9	(303,389)
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	(660,832)

Balance as at 01 April 2018 under IFRS 9	53,426,736
	=========
Available-for-sale investments revaluation reserves:	
Balance as at 31 March 2018 under IAS 39	(660,832)
Reversal of impairment losses under IAS 39 designated at fair value through other comprehensive income previously classified as available-for-sale investment	660,832

Balance as at 01 April 2018 under IFRS 9	-
	=========

5. **Changes in significant accounting policies (continued)**

5.1 New and amended standards and interpretations that are mandatorily effective for the current year (continued

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgements. The principles in IFRS 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 assets and liabilities account balances between periods and key judgement and estimates.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 01 April 2018). Accordingly, the information presented for reporting period ended 31 March 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(a). Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. IFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed.

Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

5. **Changes in significant accounting policies (continued)**

5.1 New and amended standards and interpretations that are mandatorily effective for the current year (continued)

(ii)IFRS 15 Revenue from Contracts with Customers (continued)

The adoption of IFRS 15 does not have a significant impact when the Group *recognises revenue from sales of goods.*

(b). Significant financing component

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers.

(c). Presentation of contract assets and liabilities

Under IFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts,
contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The impact on the presentation of the Group's contract assets and liabilities and the amounts by which each financial statement line item was affected as at 01 April 2018 as a result of the adoption of IFRS 15 are set out below.

The adoption of IFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted:

Consolidated statement of financial position as at 01 April 2018:

		Amounts prepared under		
	Note	**IFRS 15 (USD)**	**Previous IFRS (USD)**	**Increase/(decrease) (USD)**
Contract liabilities	(i)	688,065	-	688,065
Trade and other payables	(i)	3,982,755	4,670,820	(688,065)
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5. Changes in significant accounting policies (continued)

5.1 New and amended standards and interpretations that are mandatorily effective for the current year (continued)

(iii) IFRS 15 Revenue from Contracts with Customers (continued)

Consolidated statement of financial position as at 31 March 2019:

		Amounts prepared under		
	Note	**IFRS 15 (USD)**	**Previous IFRS (USD)**	**Increase/(decrease) (USD)**
Contract liabilities	(a)	158,409	-	158,409
Trade and other payables	(b)	8,011,007	8,169,416	(158,409)
		---------------	---------------	---------------

The nature of the adjustments as at 01 April 2018 and the reasons for the significant changes in the statement of financial position as at 31 March 2019 are described below:

(a) Consideration received from customers in advance

Before the adoption of IFRS 15 the Group recognised consideration received from customers in advance as other payables. Under IFRS 15, the amount is classified as contract liabilities which is included in trade and other payables.

Therefore, upon adoption of IFRS 15, the Group reclassified USD 688,065 from other payables to contract liabilities as at 01 April 2018 in relation to consideration received from customers in advance as at 01 April 2018.

As at 31 March 2019, under IFRS 15, USD 158,409 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance.

5.2 Accounting standards and interpretation issued and not yet effective

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. There were a number of new standards and interpretations which were effective for this financial year, none of which are expected to have an impact on the Group.

5. **Changes in significant accounting policies (continued)**

5.2 Accounting standards and interpretation issued and not yet effective (continued)

New and amended standards and interpretations (continued)

New or revised standards	Effective for accounting period beginning on or after
IFRS 16 Leases	1 January 2019
IFRIC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Prepayment Features with Negative Compensation - Amendments to IFRS 9	1 January 2019
Long-term interests in Associates and Joint Ventures - Amendments to IAS 28	1 January 2019
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	1 January 2019
IFRS 3 Business Combinations - Previously held interests in a joint operation	1 January 2019
IFRS 11 Joint Arrangements - Previously held interests in a joint operation	1 January 2019
IAS 12 Income taxes - Income tax consequences of payments on Financial instruments classified as equity	1 January 2019
IAS 23 Borrowing costs - Borrowing costs eligible for capitalisation	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021

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 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 future periods.

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 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.

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

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic condition (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 24 to the financial statements.

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)

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.

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.

Impairment of available-for-sale investments

Before 1 April 2018, the Group classified certain assets as available for sale and recognised movements of their fair values in equity. When the fair value declined, management made assumptions about the decline in value to determine whether there was an impairment that should be recognised in the statement of profit or loss.

Valuation of financial instruments

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in an active market for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

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

Valuation of financial instruments (continued)

- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect the differences between the instruments.

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Notes to and forming part of the consolidated financial statements
for the year ended 31 March 2019

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 2019	Financial assets at Amortised cost USD	Financial assets at fair value through profit or loss USD	Financial assets at fair value through other comprehensive income USD	Other financial liabilities USD	Total USD	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial assets									
Financial assets at fair value through profit or loss	-	7,236,892	-	-	7,236,892	2,515,067	-	4,721,825	7,236,892
Financial assets at fair value through other comprehensive income	-	-	710,075	-	710,075	-	-	710,075	710,075
Other investments	-	-	246,270	-	246,270	-	-	-	-
Receivables	1,498,978	-	-	-	1,498,978	-	-	-	-
Trade and other receivables	188,422,814	-	-	-	188,422,814	-	-	-	-
Derivative financial instruments	-	114,862	-	-	114,862	-	114,862	-	114,862
Cash & cash equivalent	34,418,131	-	-	-	34,418,131	-	-	-	-
	224,339,923	7,351,754	956,345	-	232,648,022	2,515,067	114,862	5,431,900	8,061,829

Notes to and forming part of the consolidated financial statements
for the year ended 31 March 2019

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

Accounting classifications and fair value (continued)

31 March 2019	Financial liabilities at Amortised cost USD	Financial liabilities at fair value through profit or loss USD	Financial liabilities at fair value through other comprehensive income USD	Other financial liabilities USD	Total USD	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Financial liabilities									
Loans	98,903,186	-	-		98,903,186	-	-	-	-
Trade and other payables	165,103,703	-	-	-	135,103,703	-	-	-	-
Derivative financial instruments	-	111,302	-	-	111,302	-	111,342	-	111,342
	234,006,889	111,302	-	-	234,118,191	-	111,342	-	111,342

Notes to and forming part of the consolidated financial statements
for the year ended 31 March 2019

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

Accounting classifications and fair values (continued)

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	3,834,728	-	4,916,464	8,751,192
Held-to-maturity investments	-	3,941,956	-	-	3,941,956	-	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	3,834,728	4,037,504	4,916,464	12,788,696
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)

Financial risk management

Introduction and preview

Financial instruments carried on the consolidated statement of financial position include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, other investments, available-for-sale investments, held-to-maturity investments, receivables, trade and other receivables, cash and cash equivalents, derivative financial instruments, loans, payables, trade and other payables, obligations under finance lease. 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

	%	**2019 USD**	2018 USD
Trust receipt loan	1.5%-7% over base rate	**47,925,673**	28,305,353
Other bank loans	1%-2% over base rate	**40,739,676**	45,068,746
		88,665,349	73,374,099

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 2019 would increase/decrease by USD 443,326 (2018: USD 366,871). This is mainly attributable to the Group's exposure to interest rates on variable rate of interest.

	Impact on profit before tax 2019 USD	Impact on profit before tax 2018 USD
Trust receipt loan	**239,628**	141,527
Other bank loans	**203,698**	225,344
	443,326	366,871

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

Financial risk management (continued)

- *Currency risk*

The majority of the Group's foreign currency transactions are in Pound Sterling (GBP), Hong Kong Dollar (HKD), Euro (EUR), Dirham (AED) 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, AED 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 2019 USD	**Financial liabilities 2019 USD**	Financial assets 2018 USD	Financial liabilities 2018 USD
USD	**15,575,015**	**15,611,833**	16,987,776	6,701,334
GBP	**8,921,277**	**5,314,024**	7,868,856	4,874,396
EUR	**4,510,725**	**2,688,457**	3,054,975	995,489
HKD	**200,280,186**	**199,296,112**	162,256,705	149,124,037
BDT	**3,263,762**	**11,203,715**	1,435,506	2,274,975
AED	**97,057**	**4,050**	-	-
	232,648,022	**234,118,191**	191,603,818	163,970,233

Sensitivity analysis

Currency	**2019 USD**	**2018 USD**
GBP	**360,725**	**299,446**
HKD	**98,407**	**1,313,267**
EUR	**182,227**	**205,949**
BDT	**(793,995)**	**(83,947)**
AED	**9,301**	**-**
Total	**(143,335)**	**1,734,715**

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 2019 would have decreased net profit before tax by USD 143,335 (2018: increased by USD 1,734,715). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis in 2018.

Similarly a 10 percent weakening of the USD against the above currencies at 31 March 2019 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	
	2019 USD	2018 USD
Trade and other receivables	**169,682,454**	143,414,386
Pledge time deposits	**18,740,360**	17,504,942
Cash and cash equivalents	**34,418,131**	17,113,693
Available-for- sale investments	**-**	8,751,192
Financial assets at fair value through profit or loss	**7,236,892**	-
Financial assets at fair value through other comprehensive income	**710,075**	-
Other investments	**246,270**	-
Receivables	**1,498,978**	782,101
Held-to-maturity investments	**-**	3,941,956
Derivative financial instruments	**114,862**	95,548
	232,648,022	191,603,818

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 2019

	Carrying amount USD	**Within one year USD**	**One-five years USD**	**More than five years USD**
Financial liabilities				
Loans	**98,903,186**	**89,658,937**	**9,244,249**	-
Trade and other payables	**135,103,703**	**134,457,678**	**646,025**	-
Derivatives financial instrument	**111,302**	**111,302**	-	-
Total financial liabilities	**234,118,191**	**224,227,917**	**9,890,274**	-

31 March 2018

	Carrying amount 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	-	-
Total financial liabilities	163,970,233	156,153,869	7,816,364	-

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:

	2019 USD	2018 USD
Sales	**912,057,184**	755,088,908

10. Net finance costs

	2019 USD	2018 USD
Finance income		
Interest income	**27,950**	168,455
Exchange differences	**517,289**	1,329,238
	545,239	1,497,693
Finance costs		
Loan interest and Letter of Credit charges	**(4,332,698)**	(2,993,781)
	(4,332,698)	(2,993,781)
Net finance costs	**(3,787,459)**	(1,496,088)

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:

	2019 USD	2018 USD
Current tax expense		
Current year	**1,202,336**	557,045
Adjustment for prior years	**(1,087,100)**	(165,004)
	115,236	392,041
Deferred tax expense		
Origination and reversal of temporary difference	**8,088**	6,684
	8,088	6,684
Total tax expense	**123,324**	398,725

Reconciliation of effective tax

	2019 USD	2018 USD
Profit before taxation	**11,164,392**	3,860,617
Tax at the applicable tax rate	**1,876,240**	484,724
Effect of tax rates in foreign jurisdictions	**(2,716)**	148,637
Non-deductible expenses	**1,028,546**	812,174
Tax exempt income	**(2,846,775)**	(2,480,100)
Group relief surrendered	**(53,857)**	6,943
Deemed tax credit	**(304,475)**	(39,512)
Tax losses utilised	**(41,177)**	(17,532)
Others	**1,538,842**	1,847,453
Deferred tax not recognised	**55,649**	(207,261)
Over provided in prior years	**(1,126,953)**	(156,801)
	123,324	398,725

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 4,887 (2018: USD 5,290 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 800,105 (2018: USD 874,458), 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 804,992 (2017: USD 879,748), 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.

Notes to and forming part of the consolidated financial statements
for the year ended 31 March 2019

12. **Property, plant and equipment**

	Land and buildings Freehold USD	Land and buildings leasehold USD	Plant and machinery USD	Fixtures, fittings and equipment USD	Motor vehicles USD	Total USD
Cost						
At 01 April 2017	1,742,350	858,179	1,609,262	8,166,785	965,358	13,341,934
Additions/ transfers during the year	1,763,761	267,107	4,273,483	3,643,518	14,784	9,962,653
Disposals 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	(707,536)	116,441	259,645	(238,912)	(6,510)	(541,873)
At 31 March 2018	3,149,384	1,241,727	6,388,790	11,585,271	974,904	23,340,076
At 01 April 2018	**3,149,384**	**1,241,727**	**6,388,790**	**11,585,271**	**974,904**	**23,340,076**
Additions/ transfers during the year	**8,286,943**	**52,886**	**1,800,908**	**5,037,635**	**220,429**	**15,398,801**
Disposal during the year	-	-	-	**(167,969)**	-	**(167,969)**
Adjustments during the year	**(10,538)**	**349,526**	**(908,912)**	**416,131**	**(144,265)**	**(298,059)**
Exchange re-alignment	**(3,298)**	-	-	**(23,509)**	-	**(26,807)**
Effect of changes in exchange rates	**(5,866)**	**(90,748)**	**(146,541)**	**(103,935)**	**(3,403)**	**(350,493)**
At 31 March 2019	**14,416,625**	**1,553,391**	**7,134,245**	**16,743,623**	**1,047,665**	**37,895,549**

Notes to and forming part of the consolidated financial statements
for the year ended 31 March 2019

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

Depreciation	**Land and buildings leasehold USD**	**Land and buildings leasehold USD**	**Plant and machinery USD**	**Fixtures, fittings and equipment USD**	**Motor vehicles USD**	**Total USD**
At 01 April 2017	1,148,538	768,428	1,081,433	6,385,590	723,638	10,107,627
Charge for the year	165,962	118,518	352,193	941,825	170,244	1,748,742
Disposals during the year	-	-	-	-	-	-
Adjustment during the year	-	-	6,948	26,690	75	33,713
Exchange re-alignment	2,859	-	-	117,787	-	120,646
Effect of changes in exchange rates	(8,167)	91,544	213,380	104,216	(12,501)	388,472
At 31 March 2018	1,309,193	978,490	1,653,954	7,576,108	881,456	12,399,200
At 01 April 2018	**1,309,193**	**978,490**	**1,653,953**	**7,576,108**	**881,456**	**12,399,200**
Charge for the year	**378,438**	**99,724**	**642,436**	**1,345,744**	**93,218**	**2,559,560**
Disposal during the year	**-**	**-**	**-**	**(1,994)**	**-**	**(1,994)**
Adjustment during the year	**(28,578)**	**(6,353)**	**92,838**	**255,783**	**(133,632)**	**180,058**
Exchange re-alignment	**(1,681)**	**-**	**-**	**(9,137)**	**-**	**(10,818)**
Effect of changes in exchange rates	**(466)**	**(70,171)**	**(260,302)**	**(28,493)**	**(8,059)**	**(367,491)**
At 31 March 2019	**1,656,906**	**1,001,689**	**2,128,926**	**9,138,011**	**832,983**	**14,758,515**
Net book value						
At 31 March 2019	**9,759,719**	**551,701**	**5,005,320**	**7,605,612**	**214,681**	**23,137,034**
At 31 March 2018	1,840,192	263,237	4,734,787	4,009,163	93,448	10,940,876

Multinational Textile Group Limited and its subsidiaries

Notes to and forming part of the consolidated financial statements
for the year ended 31 March 2019

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

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

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

	USD
Cost	
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
	=======
At 01 April 2018	**4,677,138**
Addition during the year	**6,114,194**
Effect of changes in exchange rates	**14,390**
Transfer during the year	**(8,726,054)**

At 31 March 2019	**2,079,668**
	=======

13. **Intangible assets**

	Goodwill USD	Trademarks and Brand name USD	Design and development USD	Total USD
Cost				
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
At 01 April 2018	**7,085,992**	**281,321**	**2,317**	**7,369,630**
Addition during the year	**5,684,067**	**175,692**	-	**5,859,759**
Impairment	**(109,459)**	-	-	**(109,459)**
Adjustment during the year		**(50,850)**	-	**(50,850)**
Exchange realignment	**83,512**	-	-	**83,512**
At 31 March 2019	**12,744,112**	**406,163**	**2,317**	**13,152,592**
Amortisation				
At 01 April 2017	-	191,389	2,317	193,706
Charge for the year	-	28,226	-	28,226
At 31 March 2018	-	219,615	2,317	221,932
At 01 April 2018	-	**219,615**	**2,317**	**221,932**
Charge for the year	-	**80,698**	-	**80,698**
Adjustment during the year		**(134,245)**		**(134,245)**
At 31 March 2019	-	**166,068**	**2,317**	**168,385**
At 31 March 2019	**12,744,112**	**240,095**	-	**12,984,207**
At 31 March 2018	7,085,992	61,706	-	7,147,698

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.

Notes to and forming part of the consolidated financial statements
for the year ended 31 March 2019

14. Financial assets at fair value through profit or loss

	2019 USD	2018 USD
Equity investments, at fair value	**2,806,510**	-
Debt investments at fair value	**1,230,660**	-
Investments in life insurance policies at fair value	**3,199,722**	-
Total of both non-current and current assets	**7,236,892**	-

Notes:

(a) The above equity investments were upon initial recognition, designated by the Group as financial assets at fair value through profit or loss and are stated at fair value.

(b) The above listed debt investments were investments in bonds which are held for trading. They were designated by the Group as financial assets at fair value through profit or loss and are stated at fair value.

(c) 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.

At 31 March 2019, the above investments consisted of investments in life insurance policies and listed equity investments which had been designated as financial assets at fair value through profit or loss and are stated at fair value

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

15. Financial assets at fair value through other comprehensive income

	2019 USD	2018 USD
Equity investments, at fair value	**710,075**	-

Name of company	*Type of shares*	*Number of shares*	*2019 % held*	*2018 % held*	*Country of incorporation*
Juhu Exchange Limited	Preference	200,000	1.83%	1.83%	Mauritius
Juhu Exchange Limited	Equity	2,518	3.72%	3.72%	Mauritius
Flying Jamon Ltd	Preference	3,286	5.91%	5.91%	United Kingdom
Labor Voices Inc	Ownership interest	588,235	3.4%	3.4%	United States of America

16. Other investments

	2019 USD	2018 USD
Other investments	**246,270**	-

Name of company	*Type of shares*	*Number of shares*	*2019 % held*	*Country of incorporation*
Ethical Fashion Group Ltd	Equity	54,348	0.87%	United Kingdom

17. Available-for-sale investments

	2019 USD	2018 USD
Non-current assets		
Investments in life insurance policies and unquoted investments carried at fair value	-	4,916,163
Current assets		
Listed equity investments	-	3,835,029

18. Held-to-maturity investments

	2019 USD	2018 USD
Listed debentures	-	3,941,956

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

	2019 USD	2018 USD
At 01 April 2018	**3,941,956**	3,153,108
Additions during the year	-	3,582,279
Disposal during the year	-	(2,744,434)
Exchange realignment	-	(48,997)
Transfer to financials assets at fair value through profit or loss	**(3,941,956)**	-
At 31 March 2019	-	3,941,956

18. **Held-to-maturity investments (continued)**

With the adoption of IFRS 9, the Group's investments in both available-for-sale and Held-to-maturity have been reclassified to financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

19. **Investment in joint ventures and associates**

Interest in joint ventures

	2019 USD	2018 USD
Amount due from joint venture	**2,986,582**	3,295,233
Share of net liabilities	**(898,269)**	(909,065)
At 31 March (A)	**2,088,313**	2,386,168

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 venture are as follows:

			Percentage of			
Name	**Particulars of issued shares held**	**Place of registration and business**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activities**
Sourcing Solutions Limited	Registered capital of USD 10,000 each	Hong Kong	50	50	50	Trading of garments products
Sourcing East West Limited	Registered capital of USD 100,000 each	Hong Kong	50	50	50	Yet to start operation

Interest in associates

	2019 USD	2018 USD
Share of net assets	**397,643**	-
Goodwill	**1,425,233**	-
At 31 March (B)	**1,822,876**	-
Total (A+B)	**3,911,189**	-

19. Investment in joint ventures and associates (continued)

Interest in associates (continued)

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Atterley.com Holdings Limited ("Atterley")	GBP 169,128	United Kingdom	27.23	27.23	27.23	Trading of garments products

During the year ended as at 31 March 2019, the Group has subscripted 27.23% of the issued shares in Atterley at £3.257 per share, and attributed to 27.23% of its equity interest. Atterley became an associate of the Group in September 2018 under HKIFRSs and is accounted for using the equity method. The purchase price allocation exercise of the investment in Atterley has not been completed.

20. Investment Property

	Total USD
Cost	
At 01 April 2017	19,066,492
Addition / transfer during the year	29,411
Effect of changes in exchange rates	947,695
At 31 March 2018	20,043,598
At 01 April 2018	**20,043,598**
Addition / transfer during the year	**8,383**
Effect of changes in exchange rates	**(13,519)**
At 31 March 2019	**20,038,462**

20. Investment Property (continued)

	Total USD
Depreciation	
At 01 April 2017	1,561,482
Charge for the year	411,216
Effect of changes in exchange rates	39,787
At 31 March 2018	2,012,485
At 01 April 2018	**2,012,485**
Charge for the year	**732,061**
Effect of changes in exchange rates	**351,213**
At 31 March 2019	**3,095,759**
Net book value	
At 31 March 2019	**16,942,703**
At 31 March 2018	18,031,113

<u>*Norwest Industries Limited*</u>

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 2019 based on valuations performed by an independent professionally qualified valuers, at HKD 119,000,000 (USD15,160,600) (2018: HKD 116,000,000 (USD 14,778,400)). The fair value of the residential property of GBP 8,500,000 (USD 11,075,500)(2018: GBP 8,000,000 (USD 11,216,000)) was determined by the company's directors and no valuation has been performed by an independent professionally qualified valuer.

At 31 March 2019, all of the investment properties were pledged to secure the general banking facilities granted to the Norwest Industries Limited and subsidiaries.

20. **Investment Property (continued)**

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 2019 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 8,500,0000**
Industrial properties	-	**HKD 119,000,000**	-	**HKD 119,000,000**

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

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 (2018: Nil).

20. **Investment Property (continued)**

Poeticgem Limited

During 2019 an individual property held by Poeticgem Limited has been transferred from plant and equipment.

Security
During 2019, properties with a carrying value of GBP 2,251,184 (USD 2,933,293) (2018: GBP 2,275,604 (USD 2,965,112) are subject to legal charge.

Valuation
Properties with a carrying value of GBP 2,251,184 (USD 2,933,293) (2018: USD 2,275,604 (USD 2,965,112) 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 2019 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 2,251,184**	-	**GBP 2,251,184**

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 2,275,604	-	GBP 2,275,604

21. **Receivables**

	2019 USD	2018 USD
Long term receivable	**816,844**	596,194
Security deposit	**89,009**	123,025
Prepayment	**590,356**	943,229
Other	**593,125**	62,882
	2,089,334	1,725,330

22. **Deferred tax assets**

	2019 USD	2018 USD
At 01 April 2018	**24,924**	18,240
Charge to the statement of profit or loss during the year	**12,719**	6,684
At 31 March 2019	**37,643**	24,924
Deferred tax assets on:		
- Depreciation	**37,643**	24,924
	37,643	24,924

23. **Inventories**

	2019 USD	2018 USD
Finished goods and goods for resale	**2,543,930**	1,018,714
Raw materials	**12,513,697**	6,715,454
Good in transit	**1,379,561**	1,658,847
Work in progress	**2,924,650**	613,209
	19,361,838	10,006,224

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

24. Trade and other receivables

	2019 USD	2018 USD
Trade and accounts receivables	**148,417,853**	120,374,809
Non-trade receivables and prepaid expenses	**16,664,278**	19,875,833
Pledged time deposits	**18,740,361**	17,504,942
Amounts due from related parties	**9,894,240**	7,743,005
Less impairment	**(385,098)**	(60,682)
	193,331,634	165,437,907

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

	2019 USD	2018 USD
Neither past due nor impaired	**132,510,018**	91,693,697
Past due but not impaired:		
Less than one month	**8,903,097**	16,227,917
Less than three months	**6,165,910**	11,500,494
Over three months	**838,828**	952,701
	148,417,853	120,374,809

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.

The total impairment loss amounting to USD 385,098 (2018: USD 60,682) arise on trade receivables from the following companies namely Norwest Industries Limited, FX Import Hong Kong Limited and PG Group.

25. Stated capital

	2019 USD	2018 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.

Notes to and forming part of the consolidated financial statements
for the year ended 31 March 2019

26. Reserves

	Hedging reserves USD	Translation reserves USD	Capital reserves USD	Retained earnings USD	Fair value investment reserves USD	Total USD
At 01 April 2018	(1,374,812)	(2,467,360)	(1,365,841)	54,390,957	(660,832)	70,470,382
Effect of adoption of IFRS 9	-	-	-	(964,221)	660,832	(303,389)
At 01 April 2018 as adjusted	(1,374,812)	(2,467,360)	(1,365,841)	53,426,736	-	70,166,993
Transactions with owners of the Company						
Contributions and distributions						
Adjustment during the year	-	(1,216)	-	212,523	(660,832)	(449,525)
Movement during the year	-	-	7	-	-	7
Total comprehensive income						
Profit for the year	-	-	-	7,222,474	-	7,222,474
Other comprehensive income						
Net movement in exchange reserves	-	-	-	(43,345)	-	(43,345)
Net movement in fair value reserves	-	-	-	-	833,176	833,176
Foreign currency translation differences on foreign operations	-	(2,852,363)	-	-	-	(2,852,363)
Net loss on cash flow hedges	157,681	-	-	-	-	157,681
At 31 March 2019	(1,217,131)	(5,320,939)	(1,365,834)	60,818,388	174,344	53,086,828

26. Reserves (continued)

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.

Notes to and forming part of the consolidated financial statements
for the year ended 31 March 2019

27. Non-controlling interests

	Stated capital USD	Share Application monies USD	Hedging reserves USD	Translation reserves USD	Capital reserves USD	Retained earnings USD	Fair value investment reserves USD	Total USD
At 01 April 2018	1,820,248	8	(23,567)	(622,055)	1,122,862	9,999,045	(115,233)	12,181,308
Effect pf adoption of IFRS 9	-	-	-	-	-	(51,508)	-	(51,508)
	1,820,248	8	(23,567)	(622,055)	1,122,862	9,947,537	(115,233)	12,129,800
Transactions with owners of the Company								
Acquisition of non-controlling interests without a change in control	(8,132,591)	-	-	-	-	-	-	(8,132,591)
Issue of shares to minority	58,986	-	-	-	-	-	-	58,986
Dividend declared and paid	-	-		-	-	(2,003,779)	-	(2,003,779)
Capital contribution by non controlling shareholder	7,792	-	-	-	-	-	-	7,792
Adjustments during the year	-	-	-	1,215	-	(67,745)	-	(66,530)
Total comprehensive income								
Profit for the year	-	-	-	-	-	3,818,594	-	3,818,594
Other comprehensive income								
Net movement in exchange reserves	-	-	-	-	-	(48,954)	-	(48,954)
Net movement in fair value reserves	-	-	-	-	-	-	115,233	115,233
Foreign currency translation differences on foreign operations	-	-	-	(79,632)	-	-	-	(79,632)
At 31 March 2019	(6,245,565)	8	(23,567)	(700,472)	1,122,862	11,645,652	-	5,798,919

28. Long term loans

	2019 USD	2018 USD
Bank loans	**9,163,463**	7,729,440
Other loans	**80,786**	86,924
	9,244,249	7,816,364

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.

29. Payables

	2019 USD	2018 USD
Long term payables	**646,025**	-

30. Short term loans

	2019 USD	2018 USD
Other bank loans	**40,739,677**	45,068,746
Trust receipt loans	**47,925,674**	28,305,353
Other payables	**993,586**	1,505,187
	89,658,937	74,879,286

(i) 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 18,741,832 (2018: USD 17,758,371);
(ii) bank guarantees with aggregate of USD 1,784,109 (2018: 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.

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

(i) Norwest Industries Limited and its subsidiaries (continued)

The bank loan is secured by the Group's investment property with a carrying amount of USD 1,545,548 (2018: USD 1,586,947, 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 1,999,979 (2018: USD 2,052,025), 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 10,464,981 (2018: USD 11,200,578), interest-bearing at 2% over LIBOR per annum and repayable on 11 August 2020.

(ii) PG Group

The import loans as at 31 March 2019 were denominated in US$, interest-bearing at [3.09%-3.83%] (2018: 3.09%-3.83%) 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.

(iii) FX Import Hong Kong Limited

The trust receipt loans as at 31 March 2018 were denominated in US$, interest-bearing at 3.72%-3.86% per annum and were repaid in April 2018.
The interest-bearing bank borrowings were guaranteed by the immediate holding company and a director of the Company.

31. **Cash and cash equivalents**

Cash and cash equivalents comprise of:

	2019 **USD**	2018 USD
Cash in hand and at banks	**34,418,131**	17,113,693

31. **Cash and cash equivalents (continued)**

Norwest Industries Limited

	2019 USD	2018 USD
Cash and bank balances	**16,909,716**	8,045,124
Pledged time deposits	**18,741,832**	17,504,945
	35,651,548	25,550,069
Less: Pledged time deposits for banking facilities:		
-with original maturity of less than three months when acquired	**(13,893,792)**	(12,547,492)
-with original maturity of more than three months when acquired	**(4,848,040)**	(4,957,453)
Cash and cash equivalents	**16,909,716**	8,045,124

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to USD 401,889 (2018: USD 28,237). 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.

32. **Trade and other payables**

	2019 USD	2018 USD
Trade and bills payables	**107,176,376**	72,741,800
Non trade payables and accrued expenses	**27,281,302**	8,266,100
	134,457,678	81,007,900

33. Derivative financial instruments

Currency derivatives

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

Assets

	2019 USD	2018 USD
Forward currency contracts	103,470	95,548
Option currency contracts	11,392	-
	114,862	95,548

Liabilities

	2019 USD	2018 USD
Forward currency contracts	53,101	263,471
Option currency contracts	58,201	-
	111,302	263,471

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 2019, the subsidiary Norwest Industries Limited and its subsidiaries as a group held 33 forward currency contracts (2018: 72) and 4 option currency contracts (2018: Nil). 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.

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

Currency derivatives (continued)

Forward currency contracts – cash flow hedges (continued)

Norwest Industries Limited (continued)

The terms of the forward currency contracts and option currency contracts have been negotiated to match the terms of the commitments. The cash flow hedges relating to expected future settlement of sales and purchase between April 2019 and February 2020 were assessed to be highly effective and net gains of USD 172,506 (2018: a net losses of USD 271,815) was included in the hedging reserve as follows:

	2019 USD	2018 USD
Total fair value losses included in the hedging reserves	**242,681**	343,871
Reclassified from other comprehensive income to the statement of profit or loss	**(415,187)**	(72,056)
Net (gains)/ losses on cash flow hedges	**(172,506)**	271,815

Deferred tax assets have not been recognised 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.

34. **Segment Reporting**

Information about reportable segments

	Sourcing		Manufacturing		Other segments		Total	
	2019 USD	2018 USD	**2019 USD**	2018 USD	**2019 USD**	2018 USD	**2019 USD**	2018 USD
External revenues	**893,568,686**	802,368,959	**33,453,126**	18,224,482	**14,716,938**	10,560,705	**941,731,252**	831,154,146
Inter-segment revenue	**-**	-	**(955,905)**	(1,243,894)	**(14,692,676)**	(9,151,477)	**(15,640,581)**	(10,391,341)
Segment revenue	**893,568,686**	802,368,959	**32,497,221**	16,980,588	**24,262**	1,409,258	**926,090,170**	820,758,805
Depreciation and amortisation	**(1,908,267)**	(1,572,793)	**(1,301,894)**	(440,344)	**(162,189)**	(175,047)	**(3,372,320)**	(2,188,184)
Reportable segment EBIT	**21,371,485**	15,600,596	**(6,232,565)**	(8,184,190)	**2,474,943**	1,105,089	**17,613,865**	8,521,475
Interest expense	**(3,437,532)**	(2,318,883)	**(666,346)**	(299,640)	**(228,819)**	(375,258)	**(4,332,700)**	(2,993,781))
Eliminations	**-**	-	**-**	-	**(2,116,774)**	(1,667,096)	**(2,116,774)**	(1,667,096)
PBT after eliminations	**17,933,953**	13,281,712	**(6,898,911)**	(8,483,830)	**129,350**	(937,266)	**11,164,391**	3,860,617
Segment assets	**251,502,775**	196,775,933	**38,126,476**	24,338,436	**26,972,229**	29,165,397	**316,601,480**	250,276,766
Segment liabilities	**200,575,278**	153,332,037	**22,493,673**	12,541,857	**12,698,517**	1,754,183	**235,767,467**	167,628,077

35. **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.

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

	2019 USD	2018 USD
Transactions during the year:		
Amount received from other related parties	**183,423**	511,218
Amount advanced to other related parties	**-**	(1,384,225)
Consultancy fees accrued to JSM Trading Limited accrued	**904,592**	3,025,000
Consultancy fees paid to JSM Trading Limited	**(3,535,800))**	(4,558,227)
Amount advanced to JSM Trading Limited	**(198,234)**	-
Management fees accrued from Sourcing Solution Limited	**(73,920)**	(32,282)
SAP fees accrued from Sourcing Solution Limited	**(4,000)**	-
SAP and Management fees received from Sourcing Solution Limited	**77,920**	-
Amount received from Sourcing Solution Limited	**477,328**	-
Amount advanced to Sourcing Solution Limited	**(654,217)**	(489,992)
Corporate fees accrued to PDS Multinational Fashions Limited	**2,451,724**	3,504,132
Corporate fees paid to PDS Multinational Fashions Limited	**(2,736,335)**	(3,355,682)
Amount advanced to PDS Multinational Fashions Limited	**(691,197)**	-
Amount received from PDS Multinational Fashions Limited	**42,639**	-
Amount paid to/(received from) Grupo Extremo SUR S.A	**(1,044,851)**	1,176,355
Amount repaid by Pearl Global Industries Limited	**-**	23,461
SAP fees accrued to Pearl Global (HK) Limited	**(3,168)**	-
SAP fees paid to Pearl Global (HK) Limited	**(9,696)**	-
Amount advanced to JJ Star Industrial Limited	**(851,004)**	-
Amount received from JJ Star Industrial Limited	**-**	970,926
Amount received from Digital Internet Technologies Limited	**4,999**	35,614
Management fees accrued from Redwood Internet Ventures Limited	**(11,600)**	(11,600)
Management fees received from Redwood Internet Ventures Limited	**23,200**	-
Amount received from Atterley.com Holdings Limited	**646,025**	-

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

	2019 **USD**	2018 USD
Balances outstanding at 31 March:		
Amount payable to other related parties	**(338,703)**	(155,280)
Amount receivable from other related parties	**2,387,883**	2,477,242
Amount receivable from Sourcing Solution Limited	**90,584**	489,992
Amount payable to Sourcing Solution Limited	**(686,499)**	(32,282)
Amount receivable from JSM Trading Limited	**198,234**	-
Amount payable to JSM Trading Limited	**-**	(350,000)
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	**2,123,407**	1,147,599
Amount payable to PDS Multinational Fashions Limited	**(42,639)**	-
Amount payable to Pearl Global (HK) Limited	**(6,528)**	(9,696)
Amount receivable from Digital Internet Technologies Limited	**-**	4,999
Amount receivable from Redwood Internet Ventures Limited	**740,000**	751,600
Amount receivable from JJ Star	**2,248,030**	1,397,026
Amount payable to Atterley.com Holdings Limited	**(646,025)**	-

36. Contingent liabilities

- At 31 March 2019, one of the subsidiaries of the Company, Green Apparel Industries Limited, had secured bank borrowings of USD 6,221,560. These are secured by fellow subsidiaries' cash deposit, the Company's corporate guarantee and directors' personal guarantee.

  Grupo Sourcing Limited, Zamira Fashion Limited, PDS Asia Star Corporation Limited, Techno Design HK Limited, Poeticgem International Limited and Simple Approach Limited, subsidiaries of the Company, had the following contingent liabilities not provided for in its consolidated financial statements at the end of the reporting period:

	2019 **USD**	2018 USD
Irrevocable letter of credit	**27,375,667**	23,321,203

  At the end of the reporting period, there were mutual guarantees between Grupo Sourcing Limited, Zamira Fashion Limited, PDS Asia Star Corporation Limited, Techno Design HK Limited, Poeticgem International Limited and Simple Approach Limited as a group and its fellow subsidiaries.

- Progress Apparels (Bangladesh) Limited, a sub-subsidiary of the Company, had a contingent liability of USD 3,341,553 as at 31 March 2019 on account of various LCs opened by the bank in favour of suppliers of raw materials, where materials have not yet been received and further USD 3,600 on account of unconditional bank guarantees issued in favour of Green Delta Insurance Company Limited towards guarantee of 30 days credit period.

36. **Contingent liabilities (continued)**

- FX Import Company Limited is a sub-subsidiary of the Company. At 31 March 2019, the company's bankers, HSBC Bank PLC, provided a guarantee on behalf of the company to HM Revenue and Customs amounting to USD 190,354. The company's maximum contingent liability under this guarantee as at 31 March 2019 is USD 190,354.

  The company had 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.

- At 31 March 2019, one of the subsidiaries of the Company, Norwest Industries Limited had contingent liabilities not provided for in its consolidated financial statements as follows:

	2019	2018
	USD	USD
Guarantees given to banks in connection with:		
facilities granted to fellow subsidiaries	**72,557,823**	44,189,863

  At 31 March 2019, the banking facilities guaranteed by Norwest Industries Limited to its fellow subsidiaries were utilised to the extent of approximately USD 66,843,973 (2018: USD 54,057,444). During the year ended 31 March 2019, 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 Norwest Industries Limited'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 of Norwest Industries Limited, the fair values of the financial guarantee contracts 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 was recognised in its consolidated financial statements.

- Pacific Logistics Limited, a sub-subsidiary of the Company, had extended an Unlimited Multilateral Guarantee on 28 August 2012 to its parent company, Poeticgem Limited, and fellow subsidiaries, Poeticgem Limited and FX Import Company Limited.

37. **Commitments**

Operating lease commitments

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements for the following companies namely: Design Arc UK Limited, FX Import Company Limited, Poeticgem Limited, PDS Ventures Limited are as follows:

	2019 USD	2018 USD
Minimum lease payments under operating leases	617,634	518,648

At the reporting date, the following companies namely: Design Arc UK Limited, FX Import Hong Kong Limited, FX Import Company Limited, Poeticgem Limited, Norwest Industries and its subsidiaries, PDS Asia Star Corporation Limited, PDS Ventures Limited, PG Group Limited, Poeticgem International Limited, Simple Approach Limited had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2019 USD	2018 USD
Within one year	1,287,801	1,577,011
Between two and five years	1,715,235	1,432,766
	3,003,036	3,009,777

Capital commitment

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

	2019 USD	2018 USD
Non-current asset investments	-	258,400

38. **Obligations under finance leases**

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

	2019	2018
	USD	USD
Within one year	**-**	3,214
	=======	=======

39. **Personnel expenses**

	2019	2018
	USD	USD
Wages, salaries and benefits	**52,069,969**	45,593,254
	=======	=======

40. **Holding company**

The ultimate holding company is PDS Multinational Fashions Limited, a company incorporated in India the shares of which are 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 2019

The performances of the subsidiaries and sub-subsidiaries for the year ended 31 March 2019 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	488,125,424	-	58,818,989	17,071,297	10,281,907	12,404,229	57,992,319
Cost of sales	(430,682,770)	-	(53,639,020)	(9,682,570)	(9,591,425)	(11,302,794)	(51,652,444)
Gross profit	57,442,654	-	5,179,969	7,388,727	690,482	1,101,435	6,339,875
Operating income	14,471,375	7,031,130	1,712,602	-	10,892,097	608,368	1,750,638
Other income	2,824,335	-	-	7,022	343,011	-	6,443
Marketing, selling and distribution expenses	(21,958,179)	-	(191,454)	(484,703)	(2,666,383)	(642,407)	(1,139,876)
Loss from joint venture	(142,206)	-	-	-	-	-	-
Manufacturing and other expenses	-	-	-	(1,344,753)	-	-	-
General and administrative expenses	(37,344,080)	(6,924,631)	(4,628,872)	(6,365,109)	(9,100,968)	(857,592)	(4,976,048)
Depreciation and amortisation	(1,118,832)	-	(55,009)	(888,651)	(272,946)	(6,485)	(123,172)
Results from operating activities	14,175,067	106,499	2,017,236	(1,687,467)	(114,707)	203,314	1,857,860
Net financing (costs) / income	(794,326)	(50,808)	(432,814)	(26,794)	312,018	(209,306)	(227,159)
Profit/(loss) before income tax	13,380,741	55,691	1,584,422	(1,714,261)	197,311	(5,987)	1,630,701
Income tax expense	482,693	-	(541)	-	-	-	(248,168)
Total profit/(loss) for the year	13,863,434	55,691	1,583,881	(1,714,261)	197,311	(5,987)	1,382,533

Multinational Textile Group Limited and its subsidiaries

Performance of Subsidiaries (continued)
for the year ended 31 March 2019

The performances of the subsidiaries and sub-subsidiaries for the year ended 31 March 2019 are as shown below (continued)

	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	51,688	-	114,470,279	-	-	6,069,079	-
Cost of sales	(74,773)	(20,676)	(100,678,695)	-	-	(4,763,968)	-
Gross profit	(23,085)	(20,676)	13,791,584	-	-	1,305,111	-
Operating income	266,854	24,262	2,248,792	-	-	-	-
Other income	5,931	-	1,014,757	-	-	232,374	5
Marketing, selling and distribution expenses	(45,412)	(24,762)	(7,212,884)	-	-	(258,272)	-
Loss from joint venture	-	-	-	-	-	-	-
Manufacturing and other expenses	-	-	-	-	-	-	-
General and administrative expenses	(482,038)	(81,729)	(8,039,676)	(2,707)	(16,064)	(1,202,138)	(2,148)
Depreciation and amortisation	(234)	(456)	(161,565)	-	-	(4,746)	-
Results from operating activities	(277,985)	(103,361)	1,641,008	(2,707)	(16,064)	72,329	(2,143)
Net financing income/(costs)	18,445	-	(246,997)	-	-	(27,115)	32
Profit/(loss) before income tax	(259,540)	(103,361)	1,394,011	(2,707)	(16,064)	45,214	(2,111)
Income tax expense	-	-	(248,871)	-	-	-	-
Total profit/(loss) for the year	(259,539)	(103,361)	1,145,140	(2,707)	(16,064)	45,214	(2,111)

Performance of Subsidiaries (continued)
for the year ended 31 March 2019

The performances of the subsidiaries and sub-subsidiaries for the year ended 31 March 2019 are as shown below (continued)

	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	67,615,556	-	10,988,392	-	31,824,696	7,043,599	10,172,260	17,647,014
Cost of sales	(56,592,638)	-	(10,298,481)	-	(24,883,442)	(7,341,074)	(8,217,607)	(17,070,836)
Gross profit	11,022,918	-	689,911	-	6,941,254	(297,475)	1,954,653	576,178
Operating income	1,036,116	-	255,773	-	-	-	124,209	-
Other income	-	-	685	-	187,075	1,464	1,076	7,445
Marketing, selling and distribution expenses	(6,475,588)	-	(133,133)	-	(2,898,623)	(20,931)	(279,877)	(82,649)
Loss from joint venture	-	-	-	-	-	-	-	-
Manufacturing and other expenses	-	-	-	-	-	-	-	-
General and administrative expenses	(4,802,228)	(15,140)	(631,522)	(6,691)	(3,018,673)	(1,093,016)	(1,553,449)	(1,935,767)
Depreciation and amortisation	(75,975)	-	(19,109)	-	(3,581)	(512)	-	-
Results from operating activities	705,243	(15,140)	162,605	(6,691)	1,207,452	(1,410,472)	246,612	(1,434,793)
Net financing income/(costs)	(207,948)	-	11,936	(1)	(30,238)	(331,443)	(40,003)	(214,690)
Profit/(loss) before income tax	497,295	(15,140)	174,541	(6,692)	1,177,214	(1,741,913)	206,609	(1,649,483)
Income tax expense	-	-	(52,823)	-	-	-	(11,162)	-
Total profit/(loss) for the year	497,295	(15,140)	121,718	(6,692)	1,177,214	(1,741,913)	195,447	(1,649,483)

Multinational Textile Group Limited and its subsidiaries

Performance of Subsidiaries (continued)
for the year ended 31 March 2019

The performances of the subsidiaries and sub-subsidiaries for the year ended 31 March 2019 are as shown below(continued)

	Multinational OSG Bangladesh USD	Techno Design HK USD	Design Arc UK USD	PDS Global Investments USD	Blueprint design USD	Green Smart Shirts USD	NorLanka USD
Revenue	-	-	-	-	6,438,933	5,534,854	1,606,060
Cost of sales	-	-	-	-	(5,337,373)	(3,058,840)	-
Gross profit	-	-	-	-	1,101,560	2,476,014	1,606,060
Operating income	-	-	2,905,444		178,868		
Other income	18,634	-	-		-	176,070	-
Marketing, selling and distribution expenses	-	-	(571,231)	-	(293,357)	(280,686)	
Loss from joint venture		-	-				
Manufacturing and other expenses	-	-	-		-	(333,594)	
General and administrative expenses	(6,450)	(15,140)	(2,255,005)	(1,881)	(2,673,943)	(3,011,577)	(2,361,747)
Depreciation and amortisation	(39,042)	-	(8,230)		(2,067)	(412,730)	
Results from operating activities	(26,858)	(15,140)	70,978	(1,881)	(1,688,939)	(1,386,503)	(755,687)
Net financing income/(costs)	-	-	-	-	(17,279)	(1,423)	-
Profit/(loss) before income tax	(26,858)	(15,140)	70,978	(1,881)	(1,706,218)	(1,387,926)	(755,687)
Income tax expense	(932)	-	-		2,575	-	
Total profit/(loss) for the year	(27,790)	(15,140)	70,978	(1,881)	(1,703,643)	(1,387,926)	(755,687)

Multinational Textile Group Limited and its subsidiaries

Performance of Subsidiaries (continued)
for the year ended 31 March 2019

The performances of the subsidiaries and sub-subsidiaries for the year ended 31 March 2019 are as shown below(continued)

	Recovered Clothing USD	Kleider sourcing UAE USD	PDS Ventures USD	Spring Near East UAE USD	Twin Asia UAE USD	Design Arc UAE USD	Razamattaz USD
Revenue	2,113	-	-	-	-	-	-
Cost of sales	(5,997)	-	-	-	-	-	-
Gross profit	(3,884)	-	-	-	-	-	-
Operating income		103,064					-
Other income	-	-	-	-	-	-	290,173
Marketing, selling and distribution expenses	-	-	-	-	-	-	-
Loss from joint venture	-	-	-	-	-	-	
Manufacturing and other expenses	-	-	-	-	-	-	-
General and administrative expenses	(60,810)	(23,988)	(161,893)	(49,158)	(18,176)	(21,461)	(277,902)
Depreciation and amortisation	-	-	(6,412)	-	-	-	(161,704)
Results from operating activities	(64,694)	79,076	(168,305)	(49,158)	(18,176)	(21,461)	(149,433)
Net financing income/(costs)	-	-	-	-	-	-	(228,819)
Profit/(loss) before income tax	(64,694)	79,076	(168,305)	(49,158)	(18,176)	(21,461)	(378,252)
Income tax expense	-	-	-	-	-	-	
Total profit/(loss) for the year	(64,694)	79,076	(168,305)	(49,158)	(18,176)	(21,461)	(378,252)

Multinational Textile Group Limited and its subsidiaries

Performance of Subsidiaries
for the year ended 31 March 2019

The performances of the subsidiaries and sub-subsidiaries for the year ended 31 March 2018 are as shown below(continued)

	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	11,237,819	(30,053)	682,045	(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	10,620,340	(149,056)	199,068	(4,159,485)	247,496	82,491	822,314
Income tax expense	(28,437)	-	-	-	-	-	(154,373)
Total profit/(loss) for the year	10,591,903	(149,056)	199,068	(4,159,485)	247,496	82,491	667,941

Multinational Textile Group Limited and its subsidiaries

Performance of Subsidiaries (continued)
for the year ended 31 March 2019

The performances of the subsidiaries and sub-subsidiaries for the year ended 31 March 2018 are as shown below(continued)

	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)	(106,553)	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)	(106,553)	719,066	(2,734)	(14,860)	(118,937)	(2,814)
Income tax expense	2,585	-	(128,402)	-	-	-	-
Total profit/(loss) for the year	(186,039)	(106,553)	590,664	(2,734)	(14,860)	(118,937)	(2,814)

Multinational Textile Group Limited and its subsidiaries

Performance of Subsidiaries (continued)
for the year ended 31 March 2019

The performances of the subsidiaries and sub-subsidiaries for the year ended 31 March 2018 are as shown below(continued)

	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)	229,721	(14,845)	166,948	(9,506)	1,213,932	(2,349,795)	110,587	(1,071,538)
Net financing income/(costs)	(30,819)	(290,216)	-	56	-	(16,654)	(167,494)	66,106	(135,368)
Profit/(loss) before income tax									
Income tax expense	(106,533)	(519,937)	(14,845)	167,004	(9,506)	1,197,278	(2,517,289)	176,693	(1,206,906)
	-	-	-	(13,139)		-	-	-	-
Total profit/(loss) for the year									
	(106,533)	(519,937)	(14,845)	153,865	(9,506)	1,197,278	(2,517,289)	176,693	(1,206,906)

Multinational Textile Group Limited and its subsidiaries

Performance of Subsidiaries (continued)
for the year ended 31 March 2019

The performances of the subsidiaries and sub-subsidiaries for the year ended 31 March 2018 are as shown below(continued)

	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	-	-	-	-	579,776
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)	(897,265)
Net financing income/(costs)	-	-	(21)	-	55,528
Profit/(loss) before income tax	(7,501)	(6,625)	(146,092)	(8,656)	(841,737)
Income tax expense		-	-	-	-
Total profit/(loss) for the year	(7,501)	(6,625)	(146,092)	(8,656)	(841,737)

Multinational Textile Group Limited and its subsidiaries

Consolidated statement of profit or loss
for the year ended 31 March 2019

	Appendix	2019 USD	2018 USD
Revenue	1	**912,057,184**	755,088,908
Cost of sales	2	**(791,715,849)**	(659,318,729)
Gross profit		**120,341,335**	95,770,179
Operating income	3	**14,032,986**	8,827,252
Other income		**1,987,662**	2,256,897
Marketing, selling and distribution expenses	4	**(20,806,252)**	(13,691,520)
Manufacturing and other expenses		**(1,682,973)**	(1,046,303)
Share of loss of a joint venture		**(142,206)**	(182,764)
General and administrative expenses	5	**(95,406,381)**	84,388,852
Depreciation and amortisation		**(3,372,320)**	(2,188,184)
Results from operating activities		**14,951,851**	5,356,705
Finance income		**545,239**	1,497,693
Finance costs		**(4,332,698)**	(2,993,781)
Net finance costs		**(3,787,459)**	(1,496,088)
Profit before taxation		**11,164,392**	3,860,617

Multinational Textile Group Limited and its subsidiaries

Consolidated statement of profit or loss
for the year ended 31 March 2019

Appendix 1

Revenue

	2019 USD	2018 USD
Sales	912,057,184	755,088,908

Appendix 2

Cost of sales

	2019 USD	2018 USD
Opening stock	9,977,968	5,232,336
Purchases	725,911,162	617,601,902
Production costs/sub-contracting expenses	43,685,584	21,199,920
Other cost of sales	31,411,704	25,215,669
Closing stock	(19,361,838)	(10,006,224)
Testing charges	91,269	75,126
	791,715,849	659,318,729

Multinational Textile Group Limited and its subsidiaries

Consolidated statement of profit or loss
for the year ended 31 March 2019

Appendix 3

Operating income

	2019 USD	2018 USD
Design fee income	24,262	52,264
Marketing fee income	-	91,993
Commission income	7,419,342	3,585,162
Claim recoveries	6,589,381	5,097,833
Total other operating income	14,032,986	8,827,252

Appendix 4

Marketing, selling and distribution expenses

	2019 USD	2018 USD
Sample expenses	4,208,655	3,109,781
Transportation costs	5,025,544	3,242,281
Agents' commission	7,511,388	4,568,421
Motor, travel and subsistence expenses	1,137,947	995,596
Bad debts	71,332	31,402
Handling charges	369,264	264,021
Entertainment expenses	625,843	438,227
Claim and penalty	641,363	190,426
Testing and service charges	146,991	39,363
Inspection charges	103,216	12,075
Designing expenses	500,639	468,803
Security charges	262,146	243,474
Processing Charges	210,575	9,336
Storage charges	55,037	90,388
Discount	39,530	-
	20,806,252	13,691,520

Multinational Textile Group Limited and its subsidiaries

Consolidated statement of profit or loss
for the year ended 31 March 2019

Appendix 5

General and administrative expenses and manufacturing and other expenses

	2019 USD	2018 USD
Wages and salaries	**52,069,969**	45,593,254
Consulting fees	**13,314,034**	12,110,826
Travelling expenses	**5,764,873**	5,404,330
Rent and rates	**3,554,208**	3,352,849
Bank charges	**3,418,227**	2,762,807
Courier charges	**2,798,813**	2,510,503
Telephone, printing and stationery	**1,905,165**	1,559,131
Legal and professional fees	**788,050**	647,491
Director's expense	**162,346**	160,073
Management fees	**4,418,184**	4,272,531
Vehicle expenses	**980,206**	1,190,613
Insurance expenses	**804,089**	491,758
Staff welfare and medical insurance	**364,313**	179,242
Quality control	**2,829**	36,710
Audit and accounting fees	**502,385**	494,395
Water and electricity	**422,969**	496,531
Taxes and duties	**1,807**	58,250
Repairs and maintenance	**444,758**	538,114
Computer running costs	**15,277**	157,355
Office expenses and supplies	**1,312,663**	482,638
Motor vehicle leasing	**160,714**	150,950
Entertainment expenses	**195,012**	187,353
Loss on disposal of tangible assets	**867**	12
Bad debts written off	**34,336**	14,290
Donations	**126,875**	226,296
Licence fees	**40,780**	25,028
Investments, fixed assets and debtors written off	**2,781**	-
Hire of Equipment	**155,807**	70,419
Import and Export	**122,170**	274,960,
Advertising	**92,741,**	57,554
Inspection charges	**483,487**	219,128
Other expenses which are not classified under above line items	**945,646**	821,690
	95,406,381	84,388,852

Report of the Directors and Audited Financial Statements

NORWEST INDUSTRIES LIMITED

31 March 2019

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ERNST & YOUNG

EY 安永

Building a better working world

NORWEST INDUSTRIES LIMITED

CONTENTS

NORWEST INDUSTRIES LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2019.

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 2019 and the Group's financial position at that date are set out in the financial statements on pages 6 to 95.

The first interim 2019 dividend of US$0.2063 per ordinary share and the second interim 2019 dividend of US$0.125 per ordinary share were paid on 2 November 2018 and 31 March 2019, 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	
Esra Tasoren	
Bijay Kumar	
Gwynedd Gee Williams	
Iftekhar Ullah Khan	
Luo Jiehua	
Mahesh Seth	(appointed on 6 November 2017)
Md. Abu Toab Noyon	
Mohammad Morshed Alam	
Muhammed Shahed Mahmud	
Navin Nagawa	
Payel Seth	
Rakesh Chadha	
Rajnish Kapoor	
Raveesh Khanna	
Sharmil Shah	
Sheik Mohamad Ally Shameem Kureemun	
Sukhlina Minhas	
JOLLY Abhiroop	(appointed on 12 April 2018)

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.

NORWEST INDUSTRIES LIMITED

REPORT OF THE DIRECTORS (continued)

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.

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

....
Omprakash Makam Suryanarayan Setty
Chairman

Hong Kong
28 May 2019

EY 安永

Ernst & Young
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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.

A member firm of Ernst & Young Global Limited

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

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.

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

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 2019

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NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
REVENUE	4	3,840,428,830	3,447,600,041
Cost of sales		(3,377,374,295)	(3,031,041,556)
Gross profit		463,054,535	416,558,485
Other income and gains	4	148,556,200	122,514,404
Selling and distribution expenses		(165,121,716)	(126,019,473)
Administrative expenses		(328,206,072)	(302,615,166)
Other operating expenses		(13,079,993)	(11,228,683)
Finance costs	6	(7,783,065)	(14,849,849)
Share of profits and losses of:			
Joint ventures		84,737	(1,427,175)
Associate		(1,199,903)	-
PROFIT BEFORE TAX	5	96,304,723	82,932,543
Income tax credit/(expense)	8	3,785,234	(222,061)
PROFIT FOR THE YEAR		100,089,957	82,710,482
Attributable to:			
Owners of the parent		80,907,626	61,363,921
Non-controlling interests		19,182,331	21,346,561
		100,089,957	82,710,482

NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
PROFIT FOR THE YEAR		100,089,957	82,710,482
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive loss that may 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)
Reclassification adjustments for gains on disposal included in the consolidated statement of profit or loss	5	-	(641,917)
		-	(1,670,446)
Cash flow hedges:			
Effective portion of changes in fair value of hedging instruments arising during the year	26	(1,912,732)	(2,698,934)
Reclassification adjustments for losses included in the consolidated statement of profit or loss	26	3,258,927	565,547
		1,346,195	(2,133,387)
Exchange differences on translation of foreign operations		(3,409,255)	7,907,485
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		(2,063,060)	4,103,652
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		98,026,897	86,814,134
Attributable to:			
Owners of the parent		78,680,922	64,568,670
Non-controlling interests		19,345,975	22,245,464
		98,026,897	86,814,134

NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$	2018 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	10	23,672,213	11,049,011
Investment properties	11	109,972,597	116,479,994
Held-to-maturity financial assets	12	-	28,634,208
Financial assets at fair value through profit or loss	13	25,117,526	-
Interests in joint ventures	14	16,391,778	18,728,263
Interest in an associate	15	14,310,775	-
Goodwill	16	9,108,720	583,365
Intangible assets	17	545,985	484,321
Available-for-sale investments	18	-	24,265,742
Deposits	21	324,934	947,217
Deferred tax assets	27	217,011	153,585
Total non-current assets		199,661,539	201,325,706
CURRENT ASSETS			
Inventories	19	76,285,081	35,187,930
Trade and bills receivables	20	535,049,534	438,274,215
Prepayments, deposits and other receivables	21	84,578,627	82,676,037
Available-for-sale investments	18	-	30,099,910
Financial assets at fair value through profit or loss	13	19,741,503	-
Due from the ultimate holding company	37(b)(iii)	5,425,990	-
Due from fellow subsidiaries	37(b)(i)	331,619,519	256,560,002
Due from non-controlling shareholders	37(b)(ii)	172,669	2,247,999
Due from a related company	37(b)(iv)	17,645,452	10,965,669
Derivative financial instruments	26	901,657	749,924
Pledged time deposits	22	147,110,142	137,390,668
Cash and bank balances	22	132,729,326	63,143,580
Total current assets		1,351,259,500	1,057,295,934
CURRENT LIABILITIES			
Trade and bills payables		455,282,358	308,819,550
Other payables and accruals	23	59,769,392	33,693,754
Interest-bearing bank borrowings	24	388,985,231	387,361,774
Finance lease payable	25	55,257	-
Due to the ultimate holding company	37(b)(iii)	-	11,448
Due to the immediate holding company	37(b)(iii)	10,639,585	16,782,200
Due to fellow subsidiaries	37(b)(i)	116,551,736	54,231,364
Due to related companies	37(b)(iv)	51,248	1,810,980
Due to joint ventures	37(b)(v)	5,712,652	2,820,156
Derivative financial instruments	26	873,709	2,067,902
Tax payable		8,138,865	26,379,079
Total current liabilities		1,046,060,033	833,978,207

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NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2019

	Notes	2019 HK$	2018 HK$
NET CURRENT ASSETS		305,199,467	223,317,727
TOTAL ASSETS LESS CURRENT LIABILITIES		504,861,006	424,643,433
NON-CURRENT LIABILITIES			
Other payable	23	5,071,239	-
Finance lease payable	25	1,243,941	-
Total non-current liabilities		6,315,180	-
Net assets		498,545,826	424,643,433
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	31,120,000	31,120,000
Reserves	29	444,198,909	377,871,522
		475,318,909	408,991,522
Non-controlling interests		23,226,917	15,651,911
Total equity		498,545,826	424,643,433

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Omprakash Makam Suryanarayan Setty
Director

....
Deepak Kumar Seth
Director

NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Notes	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$
		Attributable to owners of the parent								
At 1 April 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
Effect of adoption of HKFRS 9	2.2(a)	-	5,980,405	-	-	(8,025,430)	-	(2,045,025)	(404,301)	(2,449,326)
At 1 April 2018, as adjusted		31,120,000	-	(1,318,247)*	(12,645,530)*	393,276,670*	(3,486,396)*	406,946,497	15,247,610	422,194,107
Profit for the year		-	-	-	-	80,907,626	-	80,907,626	19,182,331	100,089,957
Other comprehensive income/(loss) for the year:										
Cash flow hedges, net of tax		-	-	1,346,195	-	-	-	1,346,195	-	1,346,195
Exchange differences on translation of foreign operations		-	-	-	-	-	(3,572,899)	(3,572,899)	163,644	(3,409,255)
Total comprehensive income/(loss) for the year		-	-	1,346,195	-	80,907,626	(3,572,899)	78,680,922	19,345,975	98,026,897
Capital contribution by non-controlling shareholders		-	-	-	-	-	-	-	61,166	61,166
First interim 2019 dividend paid	9	-	-	-	-	(6,418,500)	-	(6,418,500)	-	(6,418,500)
Second interim 2019 dividend paid	9	-	-	-	-	(3,890,010)	-	(3,890,010)	-	(3,890,010)
Dividend paid to non-controlling shareholders		-	-	-	-	-	-	-	(11,427,834)	(11,427,834)
At 31 March 2019		31,120,000	-	27,948*	(12,645,530)*	463,875,786*	(7,059,295)*	475,318,909	23,226,917	498,545,826

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NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 March 2019

	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 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

* These reserve accounts comprise the consolidated reserves of HK$444,198,909 (2018: HK$377,871,522) in the consolidated statement of financial position.

NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		96,304,723	82,932,543
Adjustments for:			
Finance costs	6	7,783,065	14,849,849
Interest income	4	(3,528,747)	(2,269,166)
Depreciation for property, plant and equipment	5	6,957,222	5,754,643
Depreciation for investment properties	5	5,496,236	2,958,885
Amortisation of intangible assets	5	194,835	220,416
Gain on disposal of items of property, plant and equipment	5	(23,858)	(421,739)
Loss on disposal of held-to-maturity financial assets	5	-	155,257
Gain on disposal of subsidiary	5	(23,555)	-
Impairment of trade receivables	5	240,816	39,671
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	3,258,927	565,547
Financial assets	5	1,518,111	-
Share of profits and losses of joint ventures		(84,737)	1,427,175
Share of loss of an associate		1,199,903	-
		119,292,941	105,746,961
Increase in inventories		(41,097,151)	(6,402,410)
Decrease/(increase) in trade and bills receivables		(103,820,658)	15,142,442
Increase in prepayments, deposits and other receivables		(2,703,063)	(16,225,846)
Decrease/(increase) in amounts due from non-controlling shareholders		2,057,082	(1,294,339)
Increase in amounts due from the ultimate holding company		(5,437,438)	-
Increase in amounts due from fellow subsidiaries		(77,453,567)	(164,546,985)
Increase in an amount due from a related company		(6,679,783)	(3,421,563)
Increase in trade and bills payables		149,907,106	57,025,415
Increase in other payables and accruals		31,584,438	7,091,047
Increase in an amount due to the ultimate holding company		-	11,448
Decrease in an amount due to the immediate holding company		(5,873,431)	(2,346,484)
Increase in amounts due to fellow subsidiaries		62,640,771	4,916,511
Increase/(decrease) in amounts due to the related company		(1,759,732)	1,803,200
Decrease in amounts due to joint ventures		2,892,496	2,431,156
Decrease in an amount due to a non-controlling shareholder		-	(2,778)
Decrease in derivative financial instruments		(3,258,927)	(565,547)
Cash generated from/(used in) operations		120,291,084	(637,772)

continued/…

NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2019

	2019 HK$	2018 HK$
CASH FLOWS FROM OPERATING ACTIVITIES (continued)		
Cash generated from/(used in) operations	120,291,084	(637,772)
Hong Kong profits tax refunded	(13,929,192)	-
Overseas taxes paid	(513,582)	(293,794)
Interest element of finance lease rental payments	(565)	-
Interest paid	(7,783,065)	(14,849,849)
Net cash flows from/(used in) operating activities	98,064,680	(15,781,415)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(14,872,654)	(7,695,374)
Additions to an investment property	(65,804)	(172,037)
Purchases of intangible assets	(256,499)	(12,021)
Purchases of held-to-maturity financial assets	-	(25,813,244)
Purchases of available-for-sale investments	-	(35,776,072)
Purchases of financial assets at fair value through profit or loss	(12,701,318)	-
Proceeds from disposal of held-to-maturity financial assets	-	21,386,609
Proceeds from disposal of available-for-sale investments	-	10,189,363
Proceeds from disposal of financial assets at fair value through profit or loss	51,429,148	-
Proceeds from disposal of items of property, plant and equipment	1,140,384	485,179
Acquisition of a subsidiary	(13,164,383)	-
Acquisition of an associate	(15,510,678)	-
Disposal of a subsidiary	389,000	-
Repayment from/(advance to) the joint ventures	2,421,222	(10,982,139)
Interest received	3,528,747	2,269,166
Decrease in time deposits with original maturity if more than three months when acquired, pledged as security for banking facilities	855,756	7,515,409
Net cash flows used in investing activities	3,192,921	(38,605,161)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(10,308,510)	(8,635,800)
Dividend paid to non-controlling shareholders	(11,427,834)	(14,731,992)
Proceeds from/(repayment of) bank loans, net	(11,574,569)	40,426,604
Capital contribution from non-controlling shareholders	61,166	-
Capital element of finance lease rental payments	(28,822)	-
Net cash flows from/(used in) financing activities	(33,278,569)	17,058,812

continued/…

NORWEST INDUSTRIES LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		67,979,032	(37,327,764)
Cash and cash equivalents at beginning of year		153,551,128	187,447,632
Effect of foreign exchange rate changes, net		(1,190,180)	3,431,260
CASH AND CASH EQUIVALENTS AT END OF YEAR		220,339,980	153,551,128
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the consolidated statement of financial position	22	132,729,326	63,143,580
Time deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	22	109,056,450	98,481,220
Bank overdrafts	24	(21,445,796)	(8,073,672)
Cash and cash equivalents as stated in the consolidated statement of cash flows		220,339,980	153,551,128

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 garment.

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 2019 are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2019	2018	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	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 2019	2018	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	Hong Kong	US$100,000	100%	100%	Trading of garment products
Clover Collections Limited	Hong Kong	US$200,000	100%	100%	Provision of design 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
Krayons Sourcing Limited ("Krayons")	Hong Kong	US$10,000	80%	80%	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 2019	2018	Principal activities
Direct subsidiaries (continued)					
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 ("Fareast Vogue")	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 Far East USA Inc.*	The United States	US$50,000	100%	100%	Inactive
Fabric & Trims Limited	Hong Kong	US$10,000	100%	100%	Inactive
Smart Notch Industrial Limited	Hong Kong	US$10,000	100%	100%	Inactive
Jcraft Array Limited	Hong Kong	US$50,000	85%	85%	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 2019	2018	Principal activities
Indirect subsidiaries					
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") 99,900,200	51%	51%	Provision of sourcing services
Smart Notch (Shanghai) *# Limited	PRC/ Mainland China	Renminbi ("RMB") 500,000	100%	100%	Provision of sourcing service

* 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 financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$").

<u>Basis of consolidation</u>
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 2019. 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 POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKFRS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement
The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

2.2 CHANGES IN ACCOUNTING POLICLIES AND DISCLOSURES (continued)

(a) (continued)

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 at 1 April 2018 is as follows:

		HKAS 39 measurement				HKFRS 9 measurement	
	Note	Category	Amount HK$	Re-classification HK$	ECL HK$	Amount HK$	Category
Financial assets							
Trade and bills receivables	(i)	L&R[1]	438,274,215	-	(2,449,328)	435,824,887	AC[2]
Deposits and other receivables		L&R	82,676,037	-	-	82,676,037	AC
Held-to-maturity financial assets		HTM[3]	28,634,208	(28,634,208)	-	-	N/A
Available-for-sale investments		AFS[4]	54,365,652	(54,365,652)	-	-	N/A
Financial assets at fair value through profit or loss		FVPL[5]	-	82,999,860	-	82,999,860	FVPL
Due from fellow subsidiaries		L&R	256,560,002	-	-	256,560,002	AC
Due from a related company		L&R	10,965,669	-	-	10,965,669	AC
Due from non-controlling shareholders		L&R	2,247,999	-	-	2,247,999	AC
Derivative financial instruments		L&R	749,924	-	-	749,924	AC
Pledged time deposits		L&R	137,390,668	-	-	137,390,668	AC
Cash and bank balances		L&R	63,143,580	-	-	63,143,580	AC
	----------		1,075,007,954	-	(2,449,328)	1,072,558,626	
Financial liabilities							
Trade and bills payables		AC	308,819,550	-	-	308,819,550	AC
Other payables and accruals		AC	21,723,998	-	-	21,723,998	AC
Interest-bearing bank borrowings		AC	387,361,774	-	-	387,361,774	AC
Due to the ultimate holding company		AC	11,448	-	-	11,448	AC
Due to the immediate holding company		AC	16,782,200	-	-	16,782,200	AC
Due to fellow subsidiaries		AC	54,231,364	-	-	54,231,364	AC
Due to a related company		AC	1,810,980	-	-	1,810,980	AC
Due to joint ventures		AC	2,820,156	-	-	2,820,156	AC
Derivative financial instruments		AC	2,067,902	-	-	2,067,902	AC
	----------		795,629,372	-	-	795,629,372	

1 L&R: Loans and receivables
2 AC: Financial assets or financial liabilities at amortised cost
3 HTM: Held-to maturity financial assets
4 AFS: Available-for-sale investments
5 FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has remeasured the carrying amount of the trade receivables and bills based on the ECL allowance.

2.2 CHANGES IN ACCOUNTING POLICLIES AND DISCLOSURES (continued)

(a) (continued)

Impairment
The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 20 to the financial statements.

	Impairment allowances under HKAS 39 at 31 March 2018	Re-measurement	ECL allowances under HKFRS 9 at 1 April 2018
	HK$	HK$	HK$
Trade and bills receivables	39,671	2,449,326	2,488,997

Impact on reserves and retained profits
The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits
	HK$
Retained profits	
Balance as at 31 March 2018 under HKAS 39	401,302,100
Recognition of expected credit losses for trade and bills receivables under HKFRS9	(2,045,025)
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	(5,980,405)
Balance as at 1 April 2018 under HKFRS 9	393,276,670
Fair value reserve under HKFRS 9 (available-for-sale investment revaluation reserve under HKAS 39)	
Balance as at 31 March 2018 under HKAS 39	(5,980,405)
Reclassification of available-for-sale investments to financial assets at fair value through profit or loss	5,980,405
Balance as at 1 April 2018 under HKFRS 9	-

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for 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 assets and liabilities account balances between periods and key judgements and estimates. The disclosures are included in notes 4 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was not significant to the Group's financial statements. The Comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of financial position as at 1 April 2018:

		Amounts prepared under		
			Previous	Increase/
		HKFRS 15	HKFRS	(decrease)
	Note	HK$	HK$	HK$
Contract liabilities	(i)	5,158,614	-	5,158,614
Other payables and accruals	(i)	28,535,140	33,693,754	(5,158,614)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

Consolidated statement of financial position as at 31 March 2019:

		Amounts prepared under		
			Previous	Increase/
		HKFRS 15	HKFRS	(decrease)
	Note	HK$	HK$	HK$
Contract liabilities	(i)	744,510	-	744,510
Other payables and accruals	(i)	59,024,882	59,769,392	(744,510)

The nature of the adjustments as at 1 April 2018 and the reasons for the significant changes in the statement of financial position as at 31 March 2019 are described below:

(i) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which is included in other payables and accruals.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

(i) Consideration received from customers in advance (continued)

Therefore, upon adoption of HKFRS 15, the Group reclassified HK$5,158,614 from other payables to contract liabilities as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018.

As at 31 March 2019, under HKFRS 15, HK$744,510 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance.

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

HKFRS 16 replaces HKAS 17 *Leases*, HK(FRIC)-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 - leases of low - value assets and short-term leases.

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

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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2019, the Group has performed a high-level assessment on the impact of adoption of HKFRS 16. As disclosed in note 36 to the financial statements, at 31 March 2019, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$3,892,619. The Group currently is still assessing whether, upon adoption of HKFRS 16, certain amounts included therein will need to be recognised as new right-of-use assets and lease liabilities. Further detailed analysis, however, will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to any amounts relating to leases of low value assets and short term leases, other practical expedients and reliefs chosen.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements

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

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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 an associate and 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 an associate and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or 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 associate or joint venture are eliminated to the extent of the Group's investments in the associate or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate or joint ventures is included as part of the Group's investments in an associate or joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in an associate and joint ventures (continued)
If an investment in an associate becomes an investment in a joint venture 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)
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. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its derivative financial instruments and financial assets at fair value through profit or loss 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.

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 (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

(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 profit or loss in the year 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:

Leasehold improvements	Over the shorter of the lease terms and 33⅓%
Building	3%
Furniture and fixtures	25%
Motor vehicles	33⅓%
Office equipment	33⅓%

2.4 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018)
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Financial assets at amortised cost (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. 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.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial assets 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018) (continued)

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, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 April 2018)" below.

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 (policies under HKAS 39 applicable before 1 April 2018) (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 as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 April 2018)" below.

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 (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)
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 (policies under HKFRS 9 applicable from 1 April 2018)
The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)
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.

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 (that is 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 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018) (continued)
Available-for-sale financial investments (continued)
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. 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.

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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

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

The Group's financial liabilities include other payables and accruals.

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is 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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments and hedge accounting (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) (continued)
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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents (continued)
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 country 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. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

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, and 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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 that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the co payments and recorded together with the obligation, excluding the interest element, to reflect st of the leased asset is capitalised at the present value of the minimum lease the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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 the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, 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.

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.

Revenue recognition (applicable from 1 April 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable before 1 April 2018)
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 provision of consultancy services, when the services are rendered or upon expiry of the services; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, which appropriate, to the net carrying amount of the financial asset.

Other employee benefits
Pension scheme
The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees. 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 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 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 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 profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)
The functional currencies of overseas subsidiaries are currencies other than HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into HK$ 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.

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.

Contract liabilities (applicable from 1 April 2018)
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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:

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

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.

Provision for income taxes

Provision for income tax is made based on the taxable income for the period as determined by the Group. The determination of taxable income involves the exercise of judgement on interpretation of the relevant tax rules and regulations. The amount of income tax and hence profit or loss could be affected by any interpretations and clarifications which the tax authorities may issue from time to time.

Deferred tax liabilities

Deferred tax liabilities are recognised for withholding tax in respect of certain unremitted earnings of certain subsidiaries of the Group established in Mainland China to the extent that the directors are of the opinion that it would be probable for distribution in the foreseeable future. Significant management judgement is required to determine the amount of deferred tax liabilities that should be recognised. Further details are contained in note 13 to the financial statements.

Impairment of available-for-sale financial assets

Before 1 April 2018, the Group classified certain assets as available for sale and recognised movements of their fair values in equity. When the fair value declined, management made assumptions about the decline in value to determine whether there was an impairment that should be recognised in the statement of profit or loss.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type and customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic condition (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in note 20 to the financial statements.

4. REVENUE, OTHER INCOME AND GAINS

(i) Disaggregated revenue information
The Group's entire revenue of goods transferred is recognised at a point in time.

(ii) Performance obligations
Information about the Group's performance obligations is summarised below:

Sale of garment products
The performance obligation is satisfied upon delivery of garment products is generally due with 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

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

	2019 HK$	2018 HK$
Revenue from contracts with customers		
Sale of goods	3,840,428,830	3,447,600,041
Other income and gain		
Interest income	3,528,747	2,269,116
Handling fee income	74,819,436	39,848,808
Rental income	4,804,879	5,184,895
Foreign exchange differences, net	8,979,450	2,961,773
Sales of trim and trimmings	23,944,871	35,251,364
Gain on disposal of items of properties, plant and equipment	23,858	421,739
Gain on disposal of subsidiary	23,555	-
Others	32,431,404	36,576,709
	148,556,200	122,514,404

5. PROFIT BEFORE TAX

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

	2019 HK$	2018 HK$
Auditor's remuneration	1,301,301	1,267,727
Depreciation for property, plant and equipment	6,957,222	5,754,643
Depreciation for investment properties	5,496,236	2,958,885
Amortisation for intangible assets*	194,833	220,416
Employee benefit expense (excluding directors' remuneration (note 7)):		
Salaries and allowances	125,751,495	137,508,540
Pension scheme contributions (defined contribution scheme)	9,611,142	12,012,684
	135,362,637	149,521,224
Minimum lease payments under operating leases	7,668,143	9,759,803
Gain on disposal of items of property, plant and equipment, net	(23,858)	(421,739)
Gain on disposal of subsidiary	(23,555)	-
Impairment of trade receivables	240,816	39,671
Fair value losses/(gains), net:		
Available-for-sale investments (transfer from equity on disposal)	-	(641,917)
Cash flow hedges (transfer from equity)	3,258,927	565,547
Financial assets at fair value through profit or loss	(1,518,111)	-
Loss on disposal of held-to-maturity financial assets	-	155,257
Foreign exchange gain, net	(8,979,450)	(2,961,773)
Write-down of inventories to net realisable value	-	175,797

6. FINANCE COSTS

	2019 HK$	2018 HK$
Interest on bank loans, overdrafts and other loans	7,783,065	14,849,849

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:

	2019 HK$	2018 HK$
Directors' fees	3,095,826	1,945,000

8. INCOME TAX

Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. 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 ended 31 March 2018. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2019 HK$	2018 HK$
Current - Hong Kong		
Charge for the year	4,086,855	-
Overprovision in prior years	(8,516,303)	(46,475)
Current - Elsewhere		
Charge for the year	580,788	1,456,283
Overprovision in prior years	-	(1,175,890)
Deferred (note 27)	63,426	(11,857)
Total tax charge for the year	(3,785,234)	222,061

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:

2019

	Hong Kong HK$	Others HK$	Total HK$
Profit/(loss) before tax	100,005,220	(3,700,497)	96,304,723
Tax at the applicable tax rate	16,500,862	(822,357)	15,678,505
Adjustments in respect of current tax of previous periods	(8,516,303)	(63,426)	(8,579,729)
Income not subject to tax	(17,748,160)	(417,678)	(18,166,838)
Expenses not deductible for tax	5,670,794	1,858,127	7,528,921
Tax losses utilised from previous years	(247,093)	-	(247,093)
Tax at the effective rate	(4,339,900)	554,666	(3,785,234)

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 not recognised	(1,638,871)	-	(1,638,871)
Others	(104,042)	(43,845)	(147,887)
Tax at the effective rate	(46,475)	268,536	222,061

9. DIVIDENDS

	2019 HK$	2018 HK$
First interim - US$0.2063 (2018: US$0.09) per ordinary share	6,418,500	2,800,800
Second interim - US$0.125 (2018: 0.1875) per ordinary share	3,890,010	5,835,000
	10,308,510	8,635,800

10. PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings HK$	Leasehold improvements HK$	Furniture and fixtures HK$	Motor vehicles HK$	Office equipment HK$	Total HK$
31 March 2019							
At 31 March 2018 and 1 April 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
At 1 April 2018, net of accumulated depreciation		-	504,578	3,356,741	612,400	6,575,292	11,049,011
Additions		3,383,094	1,464,303	2,388,300	1,512,206	6,742,248	15,490,151
Acquisition of a subsidiary	30	711,178	-	-	-	4,550,135	5,261,313
Disposals		-	-	(1,084,670)	-	(31,856)	(1,116,526)
Depreciation provided during the year		(126,588)	(451,454)	(1,474,913)	(630,404)	(4,273,863)	(6,957,222)
Exchange realignment		-	(5,683)	3,020	(4)	(51,847)	(54,514)
At 31 March 2019, net of accumulated depreciation		3,967,684	1,511,744	3,188,478	1,494,198	13,510,109	23,672,213
At 31 March 2019:							
Cost		4,094,272	7,848,946	17,026,158	5,367,698	47,120,975	81,458,049
Accumulated depreciation		(126,588)	(6,337,202)	(13,837,680)	(3,873,500)	(33,610,866)	(57,785,836)
Net carrying amount		3,967,684	1,511,744	3,188,478	1,494,198	13,510,109	23,672,213

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements HK$	Furniture and fixtures HK$	Motor vehicles HK$	Office equipment HK$	Total HK$
31 March 2018					
At 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

11. INVESTMENT PROPERTIES

	HK$
At 1 April 2017:	
Cost	125,530,477
Accumulated depreciation	(11,878,505)
Net carrying amount	113,651,972
At 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
At 31 March 2018 and 1 April 2018, net of accumulated depreciation	116,479,994
Additions	65,804
Depreciation provided during the year	(5,496,236)
Exchange realignment	(1,076,965)
At 31 March 2019, net of accumulated depreciation	109,972,597
At 31 March 2019:	
Cost	133,507,195
Accumulated depreciation	(23,534,598)
Net carrying amount	109,972,597

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 2019 based on a valuation performed by an independent professionally qualified valuer, at HK$119,000,000 (2018: HK$116,000,000). The Group's residential investment property of HK$86,200,450 (2018: HK$87,310,272) 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 36 (a) to the financial statements.

At 31 March 2019, 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 2019 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	-	86,200,450	-	86,200,450
Industrial properties	-	119,000,000	-	119,000,000
	-	205,200,450	-	205,200,450

	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

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 (2018: Nil).

12. HELD-TO-MATURITY FINANCIAL ASSETS

	2019 HK$	2018 HK$
Listed debentures	-	28,634,208

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

	2019 HK$	2018 HK$
At the beginning of year	28,634,208	23,607,645
Reclassification to financial assets at fair value through profit or loss	(28,634,208)	-
At the beginning of year (restated)	-	23,607,645
Additions	-	25,813,244
Disposal	-	(21,541,866)
Exchange realignment	-	755,185
At the end of year	-	28,634,208

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2019 HK$	2018 HK$
Listed equity investments, at fair value	(a)	12,573,152	-
Listed debt investments, at fair value	(b)	7,168,351	-
Investments in life insurance policies, at fair value	(c)	25,117,526	-
		44,859,029	
Current portion		(19,741,503)	-
Non-current portion		25,117,526	-

Notes:

(a) The above listed equity investments as at 31 March 2019 were classified as financial assets at fair value through profit or loss as they were held for trading.

(b) The above listed debt investments as at 31 March 2019 were investments in bonds which are held for trading. They were designated by the Group as financial assets at fair value through profit or loss and are stated at fair value.

(c) 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.

At 31 March 2019, the above investments consisted of investments in life insurance policies and listed equity investments which had been designated as financial assets at fair value through profit or loss and are stated at fair value

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

14. INTEREST IN JOINT VENTURES

	2019 HK$	2018 HK$
Share of net liabilities	(7,050,779)	(7,135,516)
Amount due from a joint venture	23,442,557	25,863,779
	16,391,778	18,728,263

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

15. INTEREST IN AN ASSOCIATE

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	2019 HK$	2018 HK$
Share of net assets	2,110,824	-
Goodwill	12,199,951	-
	14,310,775	-

Particulars of the Group's associate 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
Atterley.com Holdings Limited ("Atterley")	£169,128	United Kingdom	27.23	27.23	27.23	Trading of garments products

During the year ended as at 31 March 2019, the Group has subscripted 27.23% of the issued shares in Atterley at £3.257 per share, and attributed to 27.23% of its equity interest. Atterley became an associate of the Group in September 2018 under HKIFRSs and is accounted for using the equity method. The purchase price allocation exercise of the investment in Atterley has not been completed.

16. GOODWILL

	HK$
At 1 April 2017 and 31 March 2018:	
Cost	1,442,538
Accumulated impairment	(859,173)
Net carrying amount	583,365
Cost at 1 April 2018, net of accumulate impairment	583,365
Acquisition of a subsidiary (note 30)	8,525,355
At 31 March 2019	9,108,720
At 31 March 2019:	
Cost	9,967,893
Accumulated impairment	(859,173)
Net carrying amount	9,108,720

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% (2018: 14%) and cash flows beyond the five-year period were extrapolated using a growth rate of 6% (2018: 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 2019 and 31 March 2018. 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.

17. INTANGIBLE ASSETS

	License HK$
31 March 2018	
At 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
31 March 2019	
At 31 March 2018 and 1 April 2018:	
Cost	1,020,946
Accumulated amortisation	(536,625)
Net carrying amount	484,321
Cost at 1 April 2018, net of accumulated amortisation	484,321
Additions	256,499
Amortisation provided during the year	(194,835)
At 31 March 2019	545,985
At 31 March 2019:	
Cost	1,277,445
Accumulated amortisation	(731,460)
Net carrying amount	545,985

18. AVAILABLE-FOR-SALE INVESTMENTS

	2019 HK$	2018 HK$
Investments in life insurance policies, at fair value	-	24,265,742
Listed equity investments, at fair value	-	30,099,910
	-	54,365,652
Less: Portion classified as non-current assets	-	(24,265,742)
	-	30,099,910

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.

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.

19. INVENTORIES

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

20. TRADE AND BILLS RECEIVABLES

	2019 HK$	2018 HK$
Trade receivables	488,222,360	396,212,491
Bills receivable	49,529,701	42,101,395
Less: Impairment	(2,702,527)	(39,671)
	535,049,534	438,274,215

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 to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables related to a large amount of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

As at the end of the reporting period, the Group had transferred certain bills of exchange amounting to HK$13,467,889 (2018: HK$46,065,142) to banks with recourse in exchange for cash. The proceeds of the Group from transferring the bills receivable of HK$13,467,889 (2018: HK$46,065,142) 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).

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2019 HK$	2018 HK$
At beginning of year	39,671	-
Effect of adoption of HKFRS 9	2,449,326	-
At beginning of year (restated)	2,488,997	-
Impairment losses (note 6)	240,816	39,671
Exchange realignment	(27,286)	-
At end of year	2,702,527	39,671

20. TRADE AND BILLS RECEIVABLES (continued)

Impairment under HKFRS 9 for the year ended 31 March 2019
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade and bills receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade and bills receivables using a provision matrix:

As at 31 March 2019

		Pass due				
	Current	Less than 1 month	1 to 2 months	2 to 3 months	Over 3 months	Total
Expected credit loss rate	0.50%	0.46%	0.75%	0.91%	1.12%	0.50%
Gross carrying amount	466,636,212	61,739,932	2,723,299	3,139,520	3,513,099	537,752,062
Expected credit losses	2,330,534	283,761	20,432	28,520	39,280	2,702,527

Impairment under HKAS 39 for the year ended 31 March 2018
An ageing analysis of the trade and bill receivables as at 31 March 2018 that were past due but not individually nor collectively considered to be impaired under HKAS39 is as follows:-

	2018 HK$
Neither past due nor impaired	292,787,449
Past due but not impaired:	
Less than one month	104,903,978
One to three months	33,764,330
Over three months	6,818,458
	438,274,215

Included in the above provision for impairment of trade and bills receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 March 2018, was a provision for individually impaired trade and bills receivables of HK$39,671 with a carrying amount before provision of HK$39,671.

The individually impaired trade and bills receivables as at 31 March 2018 related to customers that were in financial difficulties or were in default in interests and/or principal and only a portion of the receivables was expected to be recovered.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$	2018 HK$
Prepayments	50,094,382	39,046,993
Deposits	2,262,473	2,669,755
Other receivables	32,546,706	41,906,506
	84,903,561	83,623,254
Less: Portion classified as non-current assets	(324,934)	(947,217)
	84,578,627	82,676,037

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.

22. CASH AND BANK BALANCES AND PLEDGED TIME DEPOSITS

	2019 HK$	2018 HK$
Cash and bank balances	132,729,326	63,143,580
Pledged time deposits	147,110,142	137,390,668
	279,839,468	200,534,248
Less: Pledged time deposits for banking facilities:		
- with original maturity of less than three months when acquired	(109,056,450)	(98,481,220)
- with original maturity of more than three months when acquired	(38,053,692)	(38,909,448)
Cash and cash equivalents	132,729,326	63,143,580

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$3,091,451 (2018: HK$221,626). 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.

23. OTHER PAYABLES AND ACCRUALS

	Note	2019 HK$	2018 HK$
Other payables		8,112,354	1,390,025
Operating tax payables		5,117,173	6,811,142
Accrued employee benefits		7,542,085	3,563,782
Accruals		43,324,509	16,770,191
Contract liabilities	(i)	744,510	-
Advance from customers		-	5,158,614
		64,840,631	33,693,754
Less: Portion classified as non-current assets		(5,071,239)	-
		59,769,392	33,693,754

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

(i) Details of contract liabilities as at 31 March 2019 and 1 April 2018 are as follows

	31 March 2019 HK$	1 April 2018 HK$
Short-term advances received from customers		
Sales of goods	744,510	5,158,614

Contract liabilities include short-term advances received to deliver garment products.

24. INTEREST-BEARING BANK BORROWINGS

	2019		
	Contractual interest rate (%)	Maturity	HK$
Term loans***	1.75% over 3 months HIBOR, 1.47% per annum, 1 month LIBOR+4% p.a.,	2019 - 2021/ on demand	21,463,530
Collateralised bank advances**	LIBOR+2%, COF^^^+2.25%	2019/on demand	7,492,909
Import loan**	USD/GBP/EUR: LIBOR+2%, BFR^^^^+2% p.a.	2019/on demand	46,185,184
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%, LIBOR+2.37% p.a.	2019/on demand	219,095,499
Factoring*****	1.25% p.a. over BFR^^^^ with recourse term	2019/on demand	13,467,889
Bank overdraft******	1.5% p.a.	2019/on demand	21,445,796
			388,985,231

24. INTEREST-BEARING BANK BORROWINGS (continued)

	2018		
	Contractual interest rate (%)	Maturity	HK$
Term loans***	1.75% over 3 months HIBOR, 1.47% per annum, 1 month LIBOR+4% p.a., 3 months LIBOR+4% p.a. (minimum 5% p.a.)	2018 - 2021/ on demand	23,175,205
Collateralised bank advances**	LIBOR+2%, COF^^^+2.25%	2018/on demand	46,065,142
Import loan**	USD/GBP/EUR: LIBOR+2%, 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%, LIBOR+3.5%, HIBOR+2%, LIBOR+2%, Cost of funding+2%, 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

* 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")

24. 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:

	2019 HK$	2018 HK$
Analysed into:		
Within one year	327,851,609	317,609,341
In the second year	61,133,622	5,488,196
In the third to fifth years, inclusive	-	64,264,237
	388,985,231	387,361,774

Notes:

(a) The Group's banking facilities are secured by way of:
   - (i) the pledge of the Group's time deposits amounted to HK$147,110,142 (2018: HK$137,390,668);
   - (ii) bank guarantees with aggregate of HK$14,004,000 (2018: 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$12,131,465 (2018: HK$12,456,415) (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$15,698,427 (2018: HK$16,106,948) (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$82,142,705 (2018: HK$87,916,631) (note 11), interest-bearing at 2% over LIBOR per annum and repayable on 11 August 2020.

25. FINANCE LEASE PAYABLE

The Company leases a building for its operation. The lease is classified as a finance lease and has a remaining lease term of thirty years.

At the end of the reporting period, the Company's total future minimum lease payments under finance lease and its present value were as follows:

	Minimum lease payment		Present value of minimum lease payment	
	2019 HK$	2018 HK$	2019 HK$	2018 HK$
Amounts payable:				
Within one year	57,278	-	55,257	-
In the second year	57,278	-	51,693	-
In the third to fifth years, inclusive	186,153	-	146,329	-
After five years	3,250,511	-	1,045,919	-
Total minimum finance lease payment	3,551,220	-	1,299,198	-
Future finance charges	(2,252,022)	-		
Total net finance lease payable	1,299,198	-		
Portion classified as current liabilities	(55,257)	-		
Non-current portion	1,243,941	-		

26. DERIVATIVE FINANCIAL INSTRUMENTS

Assets

	2019 HK$	2018 HK$
Forward currency contracts	815,841	749,924
Option currency contracts	85,816	-
	901,657	749,924

Liabilities

	2019 HK$	2018 HK$
Forward currency contracts	416,841	2,067,902
Option currency contracts	456,868	-
	873,709	2,067,902

Cash flow hedges

Forward currency and option 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 2019, the Group held 33 forward currency contracts (2018: 72) and 4 option currency contracts (2018: Nil). 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 and option 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 2019 to February 2020 were assessed to be highly effective and net losses of HK$1,354,053 (2018: net losses of HK$2,133,387) were included in the hedging reserve as follows:

	2019 HK$	2018 HK$
Total fair value losses included in the hedging reserves	1,912,732	2,698,934
Deferred tax on fair value gains	-	-
Reclassified from other comprehensive income to the statement of profit or loss (note 5)	(3,258,927)	(565,547)
Net losses/(gains) on cash flow hedges	(1,346,195)	2,133,387

27. DEFERRED TAX ASSETS

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

	Depreciation allowance in excess of/ (below) related depreciation HK$
At 1 April 2017	141,728
Deferred tax charged to the consolidated statement of profit or loss during the year (note 8)	11,857
At 31 March 2018 and at 1 April 2018	153,585
Deferred tax credited to the consolidated statement of profit or loss during the year (note 8)	63,426
At 31 March 2019	217,011

As at the end of the reporting period, the Group had unused tax losses arising in Hong Kong of HK$8,299,176 (2018: HK$9,796,710), 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:

	2019 HK$	2018 HK$
Tax losses	1,369,364	1,616,457
Depreciation below related depreciation allowance	19,054	22,526
Cash flow hedges	222,122	613,346
	1,610,540	2,252,329

Deferred tax assets have not been recognised 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.

28. SHARE CAPITAL

	2019 HK$	2018 HK$
Issued and fully paid:		
4,000,000 (2018: 4,000,000) ordinary shares	31,120,000	31,120,000

29. 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.

30. BUSINESS COMBINATION

In October 2018, the Group entered into a conditional sale and purchase agreement to acquire 100% of the issued share capital of Tristar Apparels (Pvt) Limited ("Tristar") at a consideration of US$1,772,065 (equivalent to approximately HK$13,786,668). Tristar is engaged in the manufacturing and trading of garments. The acquisition was made as part of the Group's strategy to expand its market share of garment business. The purchase consideration for the acquisition was in form of cash, with US$1,772,065 (equivalent to approximately HK$13,786,668) paid in January 2018. The purchase price allocation exercise of the investment in Tristar has not been completed.

The identifiable assets acquired and liabilities assumed of the Tristar as at the date of acquisition were as follows:

	HK$
Property, plant and equipment and total identifiable net assets at fair value	5,261,313
Goodwill on acquisition	8,525,355
Satisfied by cash	13,786,668

An analysis of the cash flows in respect of the acquisition of Tristar is as follow:

Cash consideration	13,786,668
Decrease in deposit paid for the acquisition of Tristar	(622,285)
Net outflow of cash and cash equivalents included in cash flows from investing activities	13,164,383

31. PARTLY-OWNED SUBSIDIAIRIES WITH MATERIAL NON-CONTROLLING INTERESTS

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

	2019	2018
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%

	2019 HK$	2018 HK$
Profit/(loss) for the year allocated to non-controlling interests:		
Design Arc Asia	1,705,186	(960,652)
Design Arc Europe	(175,003)	1,854,598
Spring Near East	4,728,029	3,131,602
Kleider HK	4,913,753	12,374,092
Krayons	2,396,400	1,212,956
JJ Star	4,425,352	1,961,518
Twins Asia	2,388,506	2,167,608
Fareast Vogue	(1,042,180)	(26,536)
Dividends paid to non-controlling interests:		
Spring Near East	1,343,027	2,469,286
Kleider HK	8,515,962	11,546,982
Krayons	635,245	715,723
Twins Asia	933,600	-
Accumulated balances of the non-controlling interests at the reporting dates:		
Design Arc Asia	2,656,169	950,983
Design Arc Europe	(5,280,481)	(5,105,478)
Spring Near East	13,333,896	8,748,914
Kleider HK	11,588,209	6,674,456
Krayons	4,050,863	1,654,463
JJ Star	6,273,897	1,848,545
Twins Asia	4,521,187	2,132,681
Fareast Vogue	(1,900,282)	(858,102)

31. 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:

2019	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	476,246,851	25,002,504	586,004,758	404,305,863	152,697,329	285,572,260	441,501,315	32,071,981
Total expenses, net	(474,624,544)	(28,150,860)	(582,225,958)	(395,597,371)	(148,955,228)	(301,784,341)	(428,206,344)	(34,812,751)
Profit/(loss) and total comprehensive income/(loss) for the year	11,367,905	(583,343)	13,508,655	10,028,068	11,981,999	10,412,592	15,923,370	(2,603,426)
Current assets	123,788,093	8,880,379	99,000,889	53,904,418	53,722,052	92,227,983	95,248,698	2,696,711
Non-current assets	45,121	29,875	361,620	9,905,637	403,079	1,411,874	1,721,026	386,799
Current liabilities	(105,691,991)	(26,564,795)	(65,122,341)	(57,985,475)	(37,052,271)	(79,129,073)	(73,426,528)	(7,765,895)
Net cash flows from/(used in) operating activities	(14,634,154)	(1,839,913)	27,392,080	23,211,615	(173,514)	(27,491,061)	17,091,234	(450,350)
Net cash flows used in investing activities	(38,702)	-	(283,494)	(9,390,941)	(143,814)	(1,481,859)	(1,885,143)	26
Net cash flows from/(used in) financing activities	(986,070)	(1,383,689)	(6,276,168)	(13,655,732)	(1,839,747)	37,655,035	(5,365,335)	241,032
Net increase/(decrease) in cash and cash equivalents	(15,658,926)	(3,223,602)	20,832,418	164,942	(2,157,075)	8,682,115	9,840,756	(209,292)

31. 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

32. DISPOSAL OF A SUBSIDIARY

On April 2018, the Group entered into a sales and purchase agreements with a fellow subsidiary to disposal of the Group's entire equity interest in PDS Global Investments Limited for a cash consideration of HK$389,000. The transaction was completed in April 2018.

	2019 HK$
Net assets disposed of other receivable	365,445
Gain on disposals of subsidiaries	23,555
	389,000
Satisfied by:	
Cash consideration received	389,000

An analysis of the net inflow of cash and cash equivalents in respect of the disposals of the subsidiaries is as follows:

Cash consideration and net inflow of cash and cash equivalents in respect of the disposals of subsidiaries	389,000

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Change in liabilities arising from financing activities

	Interest-bearing bank borrowings HK$
At 1 April 2018	387,361,774
Changes from financing cash flows	(11,748,667)
Movement in bank overdraft	13,372,124
At 31 March 2019	388,985,231

34. CONTINGENT LIABILITIES

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

	2019 HK$	2018 HK$
Guarantees given to banks in connection with facilities granted to fellow subsidiaries	569,527,652	346,859,211

At 31 March 2019, the banking facilities guaranteed by the Group to fellow subsidiaries were utilised to the extent of approximately HK$524,677,971 (2018: HK$424,312,748). During the year ended 31 March 2019, 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.

35. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans and overdrafts are included in note 24 to the financial statements.

36. 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 one year. The terms of the leases generally also require the tenants to pay security deposits. At 31 March 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2019 HK$	2018 HK$
Within one year	246,862	220,690

(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 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 HK$	2018 HK$
Within one year	3,513,989	4,554,280
In the second to fifth years, inclusive	378,630	1,389,576
	3,892,619	5,943,856

37. 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	2019 HK$	2018 HK$
Ultimate holding company			
Rentals paid	(iv)	-	1,020,832
Fellow subsidiaries:			
Sales of goods	(i)	23,600,358	13,659,800
Purchase of goods	(i)	15,806,413	6,307,010
Handling fees received	(ii)	25,417,929	27,453,283
Marketing fees paid	(iii)	10,553,247	54,399,723
Rentals received	(iv)	2,041,503	1,790,260
Rentals paid	(iv)	22,884	558,082
Service fees received	(v)	-	1,988,377
Support services fee paid	(vi)	4,256,603	11,164,272
Sampling fees received	(vii)	4,343,634	6,591,863
Sampling fees paid	(viii)	272,628	2,000,550
Immediate holding company:			
Marketing fee paid	(iii)	12,717,056	12,567,944
Management fees paid	(ix)	13,373,537	8,518,363
Dividend paid		513,480	-
Joint venture:			
Management fees paid	(iii)	24,987	-
Marketing fees paid	(ix)	279,600	-

Notes:

(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, the immediate holding company or a joint venture.

(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.

37. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes: (continued)

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

(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, the immediate holding company or a joint venture.

(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 balance with the immediate holding company is unsecured, interest-free and is 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 2019 HK$	Maximum amount outstanding during the year HK$	At 31 March 2018 HK$	Maximum amount outstanding during the year HK$	At 1 April 2017 HK$
JJ Star Fashion Limited	17,645,452	23,152,700	10,965,669	24,124,502	7,544,106

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.

37. 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.

38. 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.

39. 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 2019 HK$	Fair values 2019 HK$	Carrying amounts 2018 HK$	Fair values 2018 HK$
Financial assets				
Held-to-maturity financial assets	-	-	28,634,208	28,501,725
Available-for-sale investments	-	-	54,365,652	54,365,652
Financial assets at fair value through profit and loss	44,859,029	44,859,029	-	-
Derivative financial instruments	901,657	901,657	749,924	749,924
	45,760,686	45,760,686	83,749,784	83,617,301

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

	Carrying amounts 2019 HK$	Fair values 2019 HK$	Carrying amounts 2018 HK$	Fair values 2018 HK$
Financial liabilities				
Derivative financial instruments	873,709	873,709	2,067,902	2,067,902

Management has assessed that the fair values of trade and bills 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 assets included in deposits and other receivables, 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 and listed debt securities included in the financial assets at fair value through profit or loss are based on quoted market prices. The fair value of the financial assets at fair value through profit or loss for life insurance policies has been estimated based on the surrender value of the policies as detailed in note 13 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 and option currency contracts, are measured using valuation techniques similar to forward and option 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 2019, 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.

39. 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 2019				
Financial assets at fair value through profit or loss	19,741,503	-	25,117,526	44,859,029
Derivative financial instruments	-	901,657	-	901,657
	19,741,503	901,657	25,117,526	45,760,686
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

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

	2019 HK$	2018 HK$
Financial assets at fair value through profit or loss/ Available-for-sale investments - life insurance policies		
At beginning of year	24,265,742	23,401,814
Total gains recognised in other comprehensive income	851,784	863,928
At end of year	25,117,526	24,265,742

39. 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 2019				
Derivative financial instruments	-	873,709	-	873,709
At 31 March 2018				
Derivative financial instruments	-	2,067,902	-	2,067,902

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 (2018: 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 2019				
Financial Assets at fair value through profit or loss	19,792,620	-	25,117,526	44,910,146
At 31 March 2018				
Held-to-maturity financial assets	-	28,501,725	-	28,501,725

40. 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$
2019		
HK$	50	(551,447)
HK$	(50)	551,447
2018		
HK$	50	(934,138)
HK$	(50)	934,138

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.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	Change in the exchange rate %	Increase/ (decrease) in profit before tax HK$
31 March 2019		
If HK$ weakens against GBP	10	1,704,879
If HK$ strengthens against GBP	(10)	(1,704,879)
31 March 2018		
If HK$ weakens against GBP	10	3,651,831
If HK$ strengthens against GBP	(10)	(3,651,831)

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 39.4% (2018: 33.7%) and 57.9% (2018: 56.9%) 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 20 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.

40. 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 2019 and 31 March 2018.

41. 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:

	2019 HK$	2018 HK$
NON-CURRENT ASSETS		
Property, plant and equipment	3,001,343	3,722,987
Investment properties	27,829,892	28,563,363
Investments in subsidiaries	104,291,578	104,349,928
Investment in a joint venture	16,012,294	18,346,050
Financial assets at fair value through profit or loss	25,117,526	-
Held-to-maturity financial assets	-	28,634,208
Available-for-sale investments	-	24,265,742
Deposits	324,934	947,217
Total non-current assets	176,577,567	208,829,495
CURRENT ASSETS		
Trade and bills receivables	108,441,470	95,199,103
Prepayments, deposits and other receivables	24,598,279	25,451,796
Financial assets at fair value through profit or loss	19,641,886	-
Available-for-sale investments	-	29,992,704
Due from fellow subsidiaries	300,450,863	202,348,361
Due from subsidiaries	202,775,386	97,393,879
Loan to a subsidiary	-	1,750,500
Derivative financial instruments	839,112	747,478
Pledged time deposits	129,792,749	118,204,334
Cash and bank balances	69,423,617	16,632,142
Total current assets	855,963,362	587,720,297
CURRENT LIABILITIES		
Trade and bills payables	74,967,191	53,600,683
Other payables and accruals	19,490,682	18,688,409
Interest-bearing bank borrowings	244,009,688	242,649,704
Due to the immediate holding company	1,251,545	776,462
Due to the ultimate holding company	-	11,448
Due to a related company	51,248	51,248
Due to fellow subsidiaries	77,693,009	32,481,222
Due to subsidiaries	228,914,361	83,764,242
Derivative financial instruments	867,029	2,012,720
Tax payable	5,213,423	5,017,482
Total current liabilities	652,458,176	439,053,620
NET CURRENT ASSETS	203,505,186	148,666,677
Net assets	380,082,753	357,496,172

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2019 HK$	2018 HK$
EQUITY		
Share capital	31,120,000	31,120,000
Reserves (note)	348,962,753	326,376,172
Total equity	380,082,753	357,496,172

....
Omprakash Makam Suryanarayan Setty
Director

....
Deepak Kumar Seth
Director

41. 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 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 and at 1 April 2018	(5,980,405)	(1,265,241)	333,621,818	326,376,172
Effect of adoption of HKFRS 9	5,980,405	-	(6,682,987)	(702,582)
At 1 April 2018, as adjusted	-	(1,265,241)	326,938,831	325,673,590
Profit for the year	-	-	32,360,339	32,360,339
Other comprehensive income for the year:				
Cash flow hedges, net of tax	-	1,237,324	-	1,237,324
Total comprehensive income for the year	-	1,237,324	32,360,339	33,597,663
First 2019 interim dividend paid	-	-	(6,418,500)	(6,418,500)
Second 2019 interim dividend paid	-	-	(3,890,000)	(3,890,000)
At 31 March 2019	-	(27,917)	348,990,670	348,962,753

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 May 2019.

AUDITORS' REPORT
&
AUDITED FINANCIAL STATEMENTS
OF
PROGRESS APPARELS (BANGLADESH) LIMITED

AS AT & FOR THE YEAR ENDED 31 MARCH 2019

A. QASEM & Co.
Chartered Accountants Since 1953

Gulshan Pink City
Suites # 01-03, Level : 7, Plot # 15, Road # 103
Gulshan Avenue, Dhaka - 1212, Bangladesh

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INDEPENDENT AUDITORS' REPORT
To the shareholders of Progress Apparels (Bangladesh) Limited

Report on financial statements

We have audited the accompanying financial statements of Progress Apparels (Bangladesh) Limited as at 31 March 2019 which comprise the statement of financial position as at 31 March 2019, statement of changes in equity 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 International Financial Reporting Standards (IFRSs) 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 International Standards on Auditing (ISAs). 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 2019, and of its financial performance for the year then ended in accordance with the Companies Act, 1994, International Financial Reporting Standards (IFRSs), and comply with other applicable rules and regulations.

Report on legal and other regulatory requirements

As required by section 213(4) of the companies act 1994, 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.

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 statement of financial position as at 31 March 2019, statement of changes in equity, statement of profit or loss and other comprehensive income, and statement of cash flows of the company dealt by the report are in agreement with the books of accounts.

A. Qasem & Co.
Chartered Accountants

Dated, Dhaka
8 May 2019

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EY
Building a better working world

Progress Apparels (Bangladesh) Limited
Statement of Financial Position
As at 31 March 2019

	Notes	2019	2018
		Amounts in BDT	
Assets			
Non-current assets			
Property, plant and equipment	4.00	550,756,438	362,946,205
Intangible asset	5.00	8,050,170	3,419,572
Capital work in progress	6.00	148,111,545	68,974,187
		706,918,153	**435,339,964**
Current assets			
Inventories	7.00	475,014,174	177,957,886
Advances, deposits and prepayments	8.00	59,125,318	67,901,949
Trade receivables	9.00	-	59,032
Inter-company receivables	10.00	393,335,895	285,050,974
Cash and cash equivalents	11.00	153,153,790	40,247,336
		1,080,629,177	**571,217,177**
Total assets		**1,787,547,330**	**1,006,557,141**
Shareholders' equity & liabilities			
Shareholders' equity			
Share capital	12.00	4,011,200	4,011,200
Share money deposit	13.00	776,351,500	155,037,500
Retained earnings	14.00	(541,065,232)	(398,210,214)
		239,297,468	**(239,161,514)**
Liabilities			
Current liabilities			
Secured short term bank borrowings	15.00	270,925,656	99,282,194
Trade payable and other payables	16.00	346,588,632	89,826,371
Inter-company payables - short term loan	17.00	-	323,731,410
Inter-company payables - others	18.00	930,735,574	732,878,681
		1,548,249,862	**1,245,718,655**
Total shareholders' equity & liabilities		**1,787,547,330**	**1,006,557,141**

(Column header: As at 31 March)

FOOTNOTES:
1. Auditors' Report - Page 1.
2. The accompanying notes 1.00 - 29.00 form an integral part of these financial statements.

Managing Director

Chief Financial Officer

Dated, Dhaka
8 May 2019

A. Qasem & Co.
Chartered Accountants

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

Progress Apparels (Bangladesh) Limited
Statement of Profit or Loss and other Comprehensive Income
For the year ended 31 March 2019

	Notes	For the year ended 31 March 2019	2018
		Amounts in BDT	
Revenue			
Export sales	19.00	1,422,608,113	368,483,392
Less: Cost of goods sold	20.00	(1,251,578,024)	(527,199,348)
Gross profit		**171,030,090**	**(158,715,956)**
Operating expenses			
Employee benefits expenses	21.00	(177,127,286)	(109,666,080)
General and administrative expenses	22.00	(85,863,886)	(57,086,762)
Commercial expenses - export	23.00	(39,858,320)	(15,840,266)
Training line expenses	24.00	(231,397)	(1,305,519)
Operating loss		**(132,050,799)**	**(342,614,582)**
Other income	25.00	585,144	554,472
Loss before interest and tax		**(131,465,655)**	**(342,060,110)**
Finance expenses	26.00	(11,389,364)	(1,415,077)
Loss before tax		**(142,855,018)**	**(343,475,188)**
Income tax expenses		-	-
Loss after tax		**(142,855,018)**	**(343,475,188)**
Other comprehensive income		-	-
Total comprehensive income		**(142,855,018)**	**(343,475,188)**

FOOTNOTES:

1. Auditors' Report - Page 1.
2. The accompanying notes 1.00 - 29.00 form an integral part of these financial statements.

Managing Director

Chief Financial Officer

Dated, Dhaka
8 May 2019

A. Qasem & Co
Chartered Accountants

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

Progress Apparels (Bangladesh) Limited
Statement of Changes in Shareholder's Equity
For the year ended 31 March 2019

Amounts in BDT

Particulars	Share capital	Retained earnings	Share money deposits	Total
Balance as at 31 March 2018	**4,011,200**	**(398,210,214)**	**155,037,500**	**(239,161,514)**
Addition during the period				
Share capital	-	-	-	-
Share money deposit	-	-	621,314,000	621,314,000
Total comprehensive (loss) for the period	-	(142,855,018)	-	(142,855,018)
Balance as at 31 March 2019	**4,011,200**	**(541,065,233)**	**776,351,500**	**239,297,468**

Managing Director

Chief Financial Officer

Dated, Dhaka
8 May 2019

A. Qasem & Co
Chartered Accountants

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

Progress Apparels (Bangladesh) Limited
Statement of Cash Flows
For the year ended 31 March 2019

	For the year ended 31 March	
	2019	2018
	Amounts in BDT	
Cash flows from operating activities		
(Loss) before tax	(142,855,018)	(343,475,186)
Add: Non cash items		
Depreciation	74,054,285	30,413,334
	(68,800,733)	**(313,061,852)**
(Increase) in current assets	**(396,505,547)**	**(507,499,031)**
(Increase) in inventories	(297,056,288)	(176,957,686)
(Increase) in advances, deposits and prepayments	8,776,631	(45,431,339)
Decrease in trade receivables	59,032	(59,032)
(Increase) in inter-company receivables	(108,284,921)	(285,050,974)
Increase in current liabilities	**130,887,745**	**995,844,310**
Increase in other payable	256,762,262	85,982,826
Increase/(decrease) in inter-company payable	(125,874,516)	909,861,483
Cash generated from operating activities	**(334,418,534)**	**175,283,426**
Direct tax	-	-
Net cash flows from operating activities	**(334,418,534)**	**175,283,426**
Cash flows from investing activities		
Payment for capital work in progress	(79,137,357)	(28,267,233)
Payment for property, plant & equipment	(266,495,117)	(368,947,999)
Net cash used in investing activities	**(345,632,474)**	**(397,215,232)**
Cash flows from financing activities		
Share capital	-	2,000
Secured short term bank borrowings	171,643,462	99,282,194
Share money deposit	621,314,000	154,998,675
Net cash generated by financing activities	**792,957,462**	**254,282,869**
Net change in cash and cash equivalents	112,906,454	32,351,064
Cash and cash equivalents at the beginning of the period	40,247,336	7,614,113
Cash and cash equivalents at the end of the period	**153,153,790**	**39,965,177**
Represented by:		
Cash in hand	2,770,544	2,501,223
Cash at bank	150,383,246	37,463,954
	153,153,790	**39,965,177**

Managing Director

Chief Financial Officer

Dated, Dhaka
8 May 2019

A. Qasem & Co
Chartered Accountants

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

Progress Apparels (Bangladesh) Limited
Notes to the financial statements
For the year ended 31 March 2019

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) and other applicable laws and regulations.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 2018 to 31 March 2019.

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 as required by another IFRSs.

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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 IASs.

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 IAS-1 "Presentation of Financial Statements" the complete set of Financial Statements includes the following components:

i) Statement of financial position as at 31 March 2019.
ii) Statement of profit or loss and other comprehensive income for the year ended 31 March 2019.
iii) Statement of changes in shareholder's equity for the year ended 31 March 2019.
iv) Statement of cash flows for the year ended 31 March 2019.
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 IAS-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 International 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 IAS 7: Statement of cash flows. The cash generating from operating activities has been reported using the indirect 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 IAS 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 are as follows:

Class of assets	Depreciation rate
Furniture and fixtures	10%
Leasehold improvements	10%
Plant and machineries	10%
Freehold factory building	10%
Air conditioners	20%
Electrical installations	20%
Fire Protection & Prevention Equipment's	20%
Office Equipment's	20%
Other Equipment's	20%
Development projects	20%
IT equipment's	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 IAS 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.

As per IFRS-15 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 IAS 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. And all monetary items are retranslate by following the IAS-21 (The effects of changes in foreign exchange rates).

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

Trade 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/signed sales contract or buyer's P.O:

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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.

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 separately in the financial statements.

3.16 Disclosure for new IFRS 16

IFAC has issued IFRS 16 which has been adopted in Bangladesh and applicable from 01 January 2019. IFRS 16 will be applied in financial statements of progress apparel from 01 April 2019. Under the IFRS 16 all long term operating leases will be recognized as "right of use assets'. Asset value will be measured at present value of lease payments for the estimated period of use.

Progress apparels has rented its factory premises from BEPZA for a period of 10 years with an monthly rent payment of BDT 5,696,625. For the rented factory premises, IFRS 16 will be applied. Due to adoption of IFRS 16, 'Right of Use' assets and 'Lease Liability' will be included in the next year financial statements which will be measured at present value of lease payment for the rental period. 'Right of use' assets will be amortized based on the remaining lease period and Interest expenses will be charged on the lease liability. Amortization expense and Interest expenses arising from adoption of IFRS 16 will lead to deferred taxation as tax authorities will disallow these expenses but allow the actual rent payments. For deferred taxation, IAS 12 will be applicable.

Total effect of adopting IFRS 16 is currently being assessed. As a result total impact of IFRS 16 in next year financial statements cannot be determined at this point.

3.17 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 the statutory audit fees, Quarterly audit fee and Group reporting fee;;
e. No money was spent by the company for compensating any member of the board for rendering special services;
f. 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 as at 31 Mar 2019
	Opening balance as on 01 Apr 2018	Addition during the period	Adjustment for the year	Closing balance as at 31 Mar 2019		Opening balance as on 01 Apr 2018	Charged for the period	Adjustment for the year	Closing balance as at 31 Mar 2019	
Air conditioners	3,018,730	974,474	-	3,993,204	20	342,444	678,019	-	1,020,463	2,972,741
Electrical installations	26,004,177	57,949,081	-	83,953,258	20	485,411	10,050,717	-	10,536,129	73,417,129
Fire protection & prevention equipment	7,295,244	19,117,919	-	26,413,163	20	465,263	4,944,517	-	5,409,780	21,003,383
Freehold factory building	11,462,972	59,435,296	-	70,898,268	10	281,103	5,737,825	-	6,018,928	64,879,340
Furniture and fixtures	37,591,217	21,972,081	-	59,563,299	10	2,765,235	4,599,841	-	7,365,076	52,198,223
IT equipment	27,874,164	5,707,803	(65,510)	33,516,457	30	4,805,390	7,762,544	(2,100)	12,565,834	20,950,623
Leasehold improvements	22,168,561	40,905,012	-	63,073,573	10	1,334,522	5,188,064	-	6,522,587	56,550,987
Office equipment	1,030,821	450,930	-	1,481,751	20	143,185	230,584	-	373,768	1,107,982
Other equipment	4,601,572	1,653,885	-	6,255,457	20	416,200	984,418	-	1,400,618	4,854,838
Original cost - other low value assets	905,126	1,880,527	-	2,785,653	100	905,126	1,880,527	-	2,785,653	-
Plant and machineries	233,047,904	48,430,850	-	281,478,753	10	13,881,921	25,104,277	-	38,986,198	242,492,555
Development projects	17,214,397	-	-	17,214,397	20	3,442,879	3,442,879	-	6,885,759	10,328,638
As at 31 March 2019	392,214,884	258,477,857	(65,510)	650,627,231		29,268,680	70,604,213	(2,100)	99,870,793	550,756,438
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

5.00 Intangible asset

Amounts in BDT

Particulars	Cost				Rate (%)	Depreciation				Written Down Value as at 31 Mar 2019
	Opening balance as on 01 Apr 2018	Addition during the period	Adjustment for the period	Closing balance as at 31 Mar 2019		Opening balance as on 01 Apr 2018	Charged for the period	Adjustment for the year	Closing balance as at 31 Mar 2019	
Software/ERP	4,544,808	8,080,670	-	12,625,478	30	1,125,236	3,450,072	-	4,575,308	8,050,170
As at 31 March 2019	4,544,808	8,080,670	-	12,625,478		1,125,236	3,450,072	-	4,575,308	8,050,170
As at 31 March 2018	37,652	4,507,156	-	4,544,808		-	1,125,236	-	1,125,236	3,419,572

Allocation of Depreciation

Particulars	Notes	For the year ended 31 Mar 2019	For the year ended 31 March 2018
Factory overhead	20.03	59,999,977	20,218,731
General & administrative expense	22.00	14,054,308	10,194,602
Total		74,054,285	30,413,333

6.00 Capital work in progress

	As at 31 Mar 2019	
	2019	2018
	Amounts in BDT	
Opening Balance	68,974,187	40,706,954
Addition during the period	164,912,091	284,943,540
Transfer during the period	(85,774,734)	(256,676,307)
	148,111,545	68,974,187

Note: Adjustment towards cost & depreciation for value Taka 65,510/= & Taka 2,100/= respectively is on account of lost laptop, which could be recovered Taka 55,510/= from insurance and thus has been written off.

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		As at 31 March	
		2019	2018
	Notes	Amounts in BDT	
7.00 Inventories			
Fabric - body		93,788,988	81,166,528
Fabric - others		27,248,241	1,435,714
Accessories & trims		3,764,647	7,429,248
Accessories & trims Mfg.		12,347,474	7,632,734
Needles		313,519	144,268
Threads		13,658,424	3,497,284
Cartons		5,563,989	894,122
Hangers		9,255,019	1,177,966
Zippers		5,698,227	2,473,841
Polybags		3,108,552	169,435
Packing materials		14,826,865	7,100,747
Production consumables		836,692	872,821
Fuel		593,385	389,774
Fabric, trims & accessories for training		94,323	15,093
IT consumables		204,949	292,246
Stationaries and general consumables		361,489	944,252
Production paper		165,727	-
Stores & spare parts		2,414,311	845,300
Mechanical, electrical & plumbing		190,703	99,815
Chemical		15,780	-
Work in progress-manufacturing		(0)	30,539,163
Semi finished goods-manufacturing		172,951,827	1,302,824
Finished goods-manufacturing		107,611,045	29,534,712
		475,014,174	**177,957,886**
8.00 Advances, deposits and prepayments			
Advances to employees		1,982,210	2,454,259
Advance Tax		1,622	633
Advance to suppliers		6,018,361	17,752,694
Prepaid insurance		6,219,050	1,644,022
Other advances		6,761,003	13,287,232
Prepaid expenses		866,034	-
Recovery of excess mobile Bill		103	-
Security deposit- rent		27,443,859	27,443,859
Security deposit- utilities		5,009,251	5,009,251
Security deposit- others		4,823,826	310,000
		59,125,318	**67,901,949**
9.00 Trade receivables			
Gabrielle Frankenmolen		-	59,032
		-	**59,032**
10.00 Inter-company receivables			
Progress Manufacturing Group Limited		351,668,864	265,292,316
Norwest Industries Limited		17,983,466	19,003,100
Styleberry Limited		22,838,591	-
Green Smart Shirts Limited		844,975	755,558
		393,335,895	**285,050,974**

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	Notes	As at 31 March 2019	2018
		Amounts in BDT	

11.00 Cash and cash equivalents

	Notes	2019	2018
Cash at bank	**11.01**	150,383,246	37,746,113
Cash in hand		2,770,544	2,501,223
		153,153,790	**40,247,336**

11.01 Cash at bank

	2019	2018
Woori Bank-Main Bank Account (BDT)	1,274,672	1,045,522
Woori Bank-Main Bank Account (USD)	107,167	78,842
Dutch Bangla-Main Bank Account (BDT)	207,254	16,996,193
HSBC-Main Bank Account (BDT)	66,333,981	235,556
HSBC-Main Bank Account (OBU)	73,821,872	1,674,485
HSBC-Main Bank Account (USD)	7,262,326	2,825,881
Sonali Bank Ltd-Main Bank Account (BDT)	272,493	248,196
Commercial Bank Of Ceylon- Main Bank A/C-(BDT)	395,441	9,193,880
Commercial Bank Of Ceylon- Main Bank A/C-(USD)	101,627	4,864,961
Commercial Bank Of Ceylon- Main Bank A/C-(OBU)	288,663	300,438
Fixed deposit with Commercial Bank of Ceylon	317,750	282,159
	150,383,246	**37,746,113**

Fixed deposit as above, is under lien with the Commercial Bank of Ceylon, towards issuance of bank guarantee of equivalent amount, favouring Green Delta Insurance Company Limited as security towards 30 days credit period.

12.00 Share capital

	2019	2018
Authorized capital		
12,00,000 Ordinary Shares of Taka 100 each	120,000,000	120,000,000
28,00,000 Redeemable Preference Shares of Taka 100 each	280,000,000	280,000,000
Total	**400,000,000**	**400,000,000**

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

Shareholding position as on reporting period was as follows:

Paid up capital	**Equity Shares held**	As at 31-Mar-19	31-Mar-18
		Amounts in BDT	
Progress Manufacturing Group Limited (Represented by Mr. Shahed Mahmud)	**40,091**	4,009,100	4,009,100
Mr. Ajai Singh	**1**	100	100
Mr. Pallak Seth	**10**	1,000	1,000
Mr. Omprakash Makam	**10**	1,000	1,000
	40,112	**4,011,200**	**4,011,200**

13.00 Share money deposit

	2019	2018
Opening balance	155,037,500	-
Addition during the period	621,314,000	155,037,500
	776,351,500	**155,037,500**

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	Notes	As at 31 March 2019	2018
		Amounts in BDT	

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)	(343,475,188)
4) FY - 2018-19		(142,855,018)	-
		(541,065,232)	**(398,210,214)**

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.

15.00 Secured short term bank borrowings

Clean import loan from HSBC, Bangladesh			
Opening balance		99,282,194	-
Addition during the period		760,579,075	104,120,886
Paid during the period		(588,935,613)	(4,838,692)
		270,925,656	**99,282,194**

16.00 Trade payable and other payables

Trade payable		51,415,049	17,043,084
Other payables	16.01	295,173,583	72,783,286
		346,588,632	**89,826,371**

16.01 Other payables

Liability to others		229,297,642	43,592,561
Retention money payable		12,150,157	752,634
Wages payable		22,338,122	11,083,172
Salary payable		13,728,334	9,868,976
Leave encashment payable-workers		107,789	-
Food & transport payable - supervisor		3,080	48,070
Festival bonus payable - workers		10,314	-
Overtime payable		7,136,265	2,526,543
TDS-rent - plant & machinery		21,851	22,986
TDS & VDS payable		1,826,217	2,025,459
Unpaid wages payable		266,236	48,561
Unpaid incentive worker		311,288	139,068
Unpaid salary payable		441,892	188,545
Unpaid separated worker wages		1,791,752	636,986
Unpaid OT payable		669,785	205,884
Unpaid vendor payable		1,186,870	-
Expenses Payable		731,872	530,260
Employee PF payable		768,538	-
Provision for expenses		703,580	185,625
Incentive Payable-workers		1,625,433	326,698
Interest Payable		-	591,394
Unpaid Incentive supervisor		9,568	2,681
Incentive payable supervisor		46,998	7,183
		295,173,583	**72,783,286**

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	Notes	As at 31 March 2019	2018
		Amounts in BDT	
17.00 Inter-company payables - short term loan			
Progress Manufacturing Group Limited - short term loan			
Opening balance		31,400,000	-
Addition during the period		-	323,731,410
Paid during the period		(31,400,000)	-
		-	**323,731,410**
18.00 Inter-company payables - others			
Progress Manufacturing Group Limited - others		924,502,573	731,306,739
Twins Asia Limited		3,682,906	961,131
Design Arc UK Ltd.		47,738	47,738
Poeticgem Limited		1,188,993	563,072
Norwest Industries Limited		1,313,364	-
		930,735,574	**732,878,680**

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	Notes	For the year ended 31 March 2019	2018
		Amounts in BDT	
19.00 Revenue			
Export sales		1,422,656,395	368,483,392
Less: Discount to customer		(48,282)	-
		1,422,608,113	**368,483,392**
20.00 Cost of goods sold			
Fabrics trims and accessories consumption A/c		1,050,327,867	305,706,386
Add: Direct labour & wages	20.01	248,692,138	119,781,575
Add: Commercial expenses for imports	20.02	17,101,071	6,577,880
Add: Factory overhead	20.03	196,005,087	144,090,385
Add: Rev. of FG, stocklot, leftover - A/c rejection		12,485,293	11,116,998
Less: Conversion cost allocated to FG & WIP		(53,847,261)	-
Total Factory cost		**1,470,764,196**	**587,273,223**
Add: Opening work in progress		31,841,988	-
Less: Closing work in progress		(172,951,827)	(30,539,163)
Cost of goods manufactured		**1,329,654,357**	**556,734,059**
Add: Opening stock of finished goods		29,534,712	-
Less: Closing stock of finished goods		(107,611,045)	(29,534,712)
Cost of goods sold		**1,251,578,024**	**527,199,348**
20.01 Direct labour & wages			
Attendance incentive		-	720,050
Attendance bonus-workers		7,235,406	3,232,163
AEPZ - subscription for medical centre		1,343,160	186,830
AEPZ - worker's welfare fund		549,400	640,492
Company's contribution to PF - workers		2,150,325	-
Food allowance-workers		14,502,790	6,811,345
Festival bonus-workers		10,181,104	-
Incentives to employees		-	714,316
Maternity allowance		902,475	66,185
Medical benefits & expenses		298,328	636,423
Motivational expenses - workers		143,572	-
Production incentive-workers		9,679,075	1,755,984
Special attendance incentive - workers		964,500	-
Tiffin expenses		5,632,841	2,188,156
Transport allowance – workers		12,086,410	5,397,625
Wages		126,999,715	80,226,890
Overtime-worker		55,548,030	16,786,151
Welfare expenses - workers		25,500	28,025
Wages leave encashment - workers		449,506	-
		248,692,138	**119,390,635**
20.02 Commercial expense - imports			
Bank charges - LC		2,689,309	587,980
Bank charges - TT		437,529	68,040
C&F charges - import		6,695,531	1,128,345
Customs clearing charges		-	1,413,195
C&F charges - spares & others		1,366,890	344,544
C&F production consumables		24,038	-
Import charges		-	1,099,958
Insurance - import		591,926	156,491
Inland transport - inward		4,458,687	1,779,328
Loading & unloading - import		837,162	-
		17,101,071	**6,577,880**

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

	Notes	For the year ended 31 March 2019	2018
		Amounts in BDT	
20.03 Factory overhead			
Buyer's quality control personnel expenses		6,919,570	961,131
Boiler expenses		343,075	-
Compliance expenses		1,092,541	314,753
Consumption - plotter/thermo paper		2,724,315	-
Consumption - needle		598,220	-
Factory depreciation		59,999,978	20,218,731
Diesel for generator & boiler		30,899,963	10,062,738
Display & signage's expenses		538,934	691,501
Electricity expenses		14,168,944	6,823,820
Factory audit - compliance		856,731	418,299
Factory rent - AEPZ		34,171,260	70,798,481
Factory consumables		4,724,391	3,533,157
Fire extinguisher refilling expenses		40,150	-
Fire training expenses		81,000	-
Generator hire charges		-	868,275
Gain/loss on physical inventory		(39,387)	-
Handling/transport charges		689,592	96,743
Housekeeping & cleaning		4,721,097	3,772,639
Inspection Fees		48,335	14,181
Insurance general		24,040	3,029,100
Insurance - boiler & pressure vessels		36,004	2,255
Insurance - factory building		1,798,548	-
Insurance - fire/industrial all risk expenses		2,016,678	-
Loading & unloading charges		494,379	876,318
License fee		514,271	367,288
Mould making expenses		134,768	11,550
MEP & other consumables		2,759,065	-
Overtime - temporary worker		88,493	28,721
Overtime - agency personnel		1,672,753	-
Plant and machinery hire charges		3,914,005	4,556,657
Processing charges		19,314	374,318
Repair & maintenance - electrical equipment		306,483	-
Repairs & maintenance - factory building		303,292	346,884
Repair & maintenance - machinery		16,110	9,750
Repairs & Maintenance - generator		137,320	-
Repairs and maintenance - others		343,577	5,748,809
Rent - equipment		62,660	127,512
Rent factory land - AEPZ		1,148,156	276,899
Security charges		5,658,034	5,991,906
Safety consumable expenses		235,610	108,769
Spare parts		4,963,341	2,454,619
Uniform expenses		167,836	116,357
Wages - temporary worker		4,882,441	-
Water charges		1,729,204	1,088,225
		196,005,087	**144,090,387**
21.00 Employee benefits expenses			
Attendance bonus - supervisor		174,550	57,488
Salaries		164,460,490	107,009,398
Production incentive - staff		274,988	42,308
Food allowance - supervisor		382,920	167,610
Festival bonus-staff		9,327,599	1,498,963
Festival bonus - supervisor		667,255	-
Leave encashment		584,604	-
Special attendance incentive - supervisor		28,250	-
Separation benefit-staff		293,310	-
Notice pay		614,220	762,338
Transport allowance - supervisor		319,100	127,975
		177,127,286	**109,666,080**

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

	Notes	For the year ended 31 March 2019	2018
		Amounts in BDT	

22.00 General and administrative expenses:

		2019	2018
Accommodation expenses		85,397	1,940,638
Annual maintenance contract		396,363	-
Administration fees		-	19,779
Advertisement expenses (BEPZA)		86,112	1,248,149
Admin exp recharges		1,322,703	44,760
Auditors' remuneration		499,709	605,765
Automation fees - BEPZA		116,644	23,243
Buyer's welcome expenses		93,540	-
Car hire charges - on call		2,328,933	1,344,416
C&F charges - sample		1,295,083	-
Car parking charges		7,500	166,215
Car running expenses		9,173,584	2,578,965
Canteen expenses		782,170	219,209
Communication expenses		1,604,778	1,339,368
Consultancy fees		1,012,546	696,060
Concurrent audit expenses		938,920	207,000
Conveyance Expenses		191,660	35,155
Claims & penalty from customer		31,980	-
Courier charges		6,259,378	1,492,145
Depreciation		14,054,308	10,194,602
Donations		50,000	200,000
Designing expenses		31,995	188,754
Electricity expenses		904,401	651,392
Entertainment expenses		3,666,560	3,651,642
Expatriate work permit and visa charges		641,451	749,392
Foreign exchange (gain)/loss		(8,100,813)	(16,684,475)
Government fees		223,283	459,041
Gas expenses		-	17,948
Hotel stay charges		1,002,733	2,069,905
Housekeeping & cleaning		301,347	240,807
Iftar expenses		988,789	-
Internal audit fees		1,137,000	473,983
Insurance - cash in transit		12,083	-
Insurance – cash in safe		31,362	-
Insurance - Employees health/medical-staff		33,615	41,075
Insurance - life & health - worker & staff		1,593,885	-
Insurance – laptop		81,704	-
IT consumables		2,524,475	784,452
Legal & professional charges		287,500	31,945
Loss on sale of tangible assets		7,900	48,082
Management fees		3,457,136	2,493,382
Marketing Consulting Fees		8,293	-
Membership & subscription fees		-	7,200
Miscellaneous expenses		2,190,925	2,632,411
Newspaper, books & periodicals		115,269	22,252
Non judicial stamp paper expenses		51,800	-
Office supplies		521,835	1,475,610
Other audit expenses		432,592	-
Out of office expenses		38,111	-
Postage and stamps expenses		39,530	139,499
Printing and stationery		414,550	1,969,597
Recruitment expenses		1,128,133	869,064
Repairs and maintenance		38,425	226,262
Repairs & maintenance - furniture & office equipment's		13,421	-
Repairs & maintenance - computer equipment's		48,313	-
Rent land - IEPZ		-	1,086,446

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

	Notes	For the year ended 31 March 2019	2018
		Amounts in BDT	
Rent residence premises - AEPZ		1,771,200	282,600
Rent - pool car		4,752,329	1,888,380
Sample expenses		515,157	2,917,468
Sales promotion expenses		410,000	-
Security charges		361,151	382,462
Service expenses		96,204	120,841
Seminar & conference expenses		641,466	-
Short shipment cert. expenses		237,769	63,300
Special event/celebration expenses		1,984,418	923,366
Software expenses		410,312	-
Staff training expenses		523,455	734,479
Stationary and general consumable		3,062,204	5,018,609
Showroom expenses		14,925	9,776
Travel expenses		14,445,546	16,348,126
Toll charges		201,250	62,775
Vehicle fuel		1,848,216	2,263,983
Vehicle-return/cancellation expenses		79,000	-
Written off - sundry balances		200,000	-
Water charges		110,375	69,461
		85,863,886	**57,086,762**

23.00 Commercial expenses - exports

Air & sea freight charges	15,398,787	6,767,007
Bank charges- export	1,696,165	263,008
C&F charges - export	4,969,615	1,726,716
Customs Overtime	110,915	-
Certificate of origin fees	13,554	26,210
Demurage/Storage	2,841,957	1,267,237
Export charges	3,500	738,870
EPB expenses (Export Promotion Bureau)	351,980	137,470
Insurance - export	575,282	204,167
Inland transport - outward	10,560,538	4,322,381
Loading & unloading - export	875,913	-
Offsite expenses - commercial	140,729	-
Miscellaneous - commercial	2,319,385	387,200
	39,858,320	**15,840,266**

24.00 Training line expenses:

Fabric	222,747	525,307
Trims and accessories	8,650	780,212
	231,397	**1,305,519**

25.00 Other income

Interest on fixed deposit	21,890	12,398
Scrap sales	563,254	542,074
	585,144	**554,472**

QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

	Notes	2019	2018
		For the year ended 31 March	
		Amounts in BDT	

26.00 Finance expenses

	2019	2018
Bank charges	454,992	460,962
Bank charges - buyer's a/c	190,760	-
Processing charges - loan	410,000	270,175
Interest - bank over draft	1,865	-
Interest- clean import loan	10,331,747	683,940
	11,389,364	**1,415,077**

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.

27.00 Employee information

The company has 292 salaried employees including supervisors & 2,065 salaried workers as on 31 March 2019. All of them receives total remuneration in excess of BDT 36,000 per annum.

28.00 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 2019	As at 31 March 2018
			Amounts in BDT	
Progress Manufacturing Group Limited	Parent company	Payable	924,502,573	1,055,038,148
Progress Manufacturing Group Limited	Parent company	(Receivable)	(351,668,864)	(265,292,316)
Norwest Industries Limited	Associate company	(Receivable)	(17,983,466)	(19,003,100)
Styleberry Limited	Associate company	(Receivable)	(22,838,591)	-
Twins Asia Limited	Associate company	Payable	3,682,906	961,131
Design Arc UK Limited	Associate company	Payable	47,738	47,738
Poeticgem Limited	Associate company	Payable	1,188,993	563,072
Norwest Industries Limited	Associate company	Payable	1,313,364	-
Green Smarts Shirts Limited	Associate company	(Receivable)	(844,975)	(755,558)

29.00 Contingent Liabilities

The Contingent liability of the company, as on close of the period was Taka 27,84,62,742/= on account of various LCs opened by the bank in favour of suppliers of raw material, where materials has not yet been received and further Taka 3,00,000/= on account of unconditional Bank Guarantees issued in favour of Green Delta Insurance Company Limited towards guarantee of 30 days credit period.

Managing Director

Chief Financial Officer

A. QASEM & CO. GULSHAN DHAKA CHARTERED ACCOUNTANTS

Company Registration No. 09390969 (England and Wales)

POETIC BRANDS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

UHY Hacker Young
Chartered Accountants

POETIC BRANDS LIMITED

COMPANY INFORMATION

Directors	Mr A Banaik Mrs P Seth Mr E Matthews
Secretary	Mr K Kanodia
Company number	09390969
Registered office	Quadrant House - Floor 6 4 Thomas More Square London E1W 1YW
Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW

CONTENTS

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Principal activities
The principal activity of the company continued to be that of import and distribution of garments including selling license rights in exchange for royalties.

Results and dividends
The results for the year are set out on page 6.

The directors do not recommend payment of a dividend in the year.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr A Banaik
Mrs P Seth
Mr E Matthews

Auditor
The auditor, UHY Hacker Young, is 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

Mr A Banaik
Director
14 June 2019

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF POETIC BRANDS LIMITED

Opinion

We have audited the financial statements of Poetic Brands Limited (the 'company') for the year ended 31 March 2019 which comprise the income statement, 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

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
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF POETIC BRANDS LIMITED

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of 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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF POETIC BRANDS LIMITED

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.

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.

Vinodkumar Vadgama (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young 17 June 2019

Chartered Accountants
Statutory Auditor

POETIC BRANDS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Revenue	2	7,823,187	3,571,300
Cost of sales		(6,258,650)	(3,023,414)
Gross profit		1,564,537	547,886
Distribution costs		(194,403)	(183,810)
Administrative expenses		(1,211,592)	(230,823)
Operating profit	3	158,542	133,253
Finance costs	6	(1,186)	-
Profit before taxation		157,356	133,253
Tax on profit	7	(33,106)	-
Profit and total comprehensive income for the financial year	16	124,250	133,253

The income statement has been prepared on the basis that all operations are continuing operations.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Non-current assets			
Investments	8	50,000	-
Current assets			
Inventories	10	240,301	-
Trade and other receivables	11	2,426,134	1,309,380
Cash and cash equivalents		319,635	726,988
		2,986,070	2,036,368
Current liabilities			
Borrowings	12	109,051	-
Trade and other payables	13	2,114,239	1,333,968
Taxation and social security		56,100	67,900
		2,279,390	1,401,868
Net current assets		706,680	634,500
Total assets less current liabilities		756,680	634,500
Non-current liabilities			
Trade and other payables	13	652,804	654,874
Net assets/(liabilities)		103,876	(20,374)
Equity			
Called up share capital	15	50,000	50,000
Retained earnings	16	53,876	(70,374)
Total equity		103,876	(20,374)

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 MARCH 2019

The financial statements were approved by the board of directors and authorised for issue on 14 June 2019 and are signed on its behalf by:

Mr A Banaik
Director

Company Registration No. 09390969

POETIC BRANDS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Share capital	Retained earnings	Total
	£	£	£
Balance at 1 April 2017	50,000	(203,627)	(153,627)
Year ended 31 March 2018:			
Profit and total comprehensive income for the year	-	133,253	133,253
Balance at 31 March 2018	50,000	(70,374)	(20,374)
Year ended 31 March 2019:			
Profit and total comprehensive income for the year	-	124,250	124,250
Balance at 31 March 2019	50,000	53,876	103,876

POETIC BRANDS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	20		(456,717)		580,085
Interest paid			(1,186)		-
Tax paid			(8,501)		-
Net cash (outflow)/inflow from operating activities			(466,404)		580,085
Investing activities					
Purchase of subsidiaries		(50,000)		-	
Net cash used in investing activities			(50,000)		-
Financing activities					
Repayment of borrowings		109,051		-	
Net cash generated from/(used in) financing activities			109,051		-
Net (decrease)/increase in cash and cash equivalents			(407,353)		580,085
Cash and cash equivalents at beginning of year			726,988		146,903
Cash and cash equivalents at end of year			319,635		726,988

1 Accounting policies

Company information
Poetic Brands Limited is a private company limited by shares incorporated in England and Wales. The registered office is Quadrant House - Floor 6, 4 Thomas More Square, London, E1W 1YW.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company meets the definition of a qualifying entity under FRS 101, The Financial Reporting Standard applicable in the UK and Republic of Ireland. These financial statements for the year ended 31 March 2019 are the first financial statements of Poetic Brands Limited prepared in accordance with FRS 101. The company transitioned from EU-adopted IFRS to FRS 101 for all periods presented and the date of transition to FRS 101 was 1 April 2017.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Where required, equivalent disclosures are given in the group accounts of PDS Multinational Fashions Limited. The group accounts of PDS Multinational Fashions Limited are available to the public and can be obtained as set out in note 19.

1 Accounting policies (Continued)

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Revenue

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.

-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.

1.4 Non-current investments

Investments in subsidiary undertakings are stated at cost less provision for impairment.

1.5 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.6 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1 Accounting policies **(Continued)**

1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.9 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

1 Accounting policies **(Continued)**

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 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 reporting end date.

1 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 goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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 the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

2 Revenue

	2019	2018
	£	£
Revenue analysed by class of business		
Sale of garments	6,607,901	2,542,472
Commission receivable	75,845	622,789
Licence fee income	1,139,441	406,039
	7,823,187	3,571,300

	2019	2018
	£	£
Revenue analysed by geographical market		
UK	7,044,844	2,948,511
Rest of World	699,288	622,789
Europe	79,055	-
	7,823,187	3,571,300

3 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	21,758	(49,854)
Fees payable to the company's auditor for the audit of the company's financial statements	4,000	3,130
Cost of inventories recognised as an expense	6,258,650	3,023,414

4 Employees

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

	2019	2018
	Number	Number
Management and administration	14	2

4 Employees (Continued)

Their aggregate remuneration comprised:

	2019	2018
	£	£
Wages and salaries	855,107	153,931
Social security costs	99,966	15,820
Pension costs	8,811	918
	963,884	170,669

5 Directors' remuneration

	2019	2018
	£	£
Remuneration for qualifying services	288,000	-

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	288,000	-

6 Finance costs

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	1,186	-

7 Income tax expense

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	24,605	-
Adjustments in respect of prior periods	8,501	-
Total UK current tax	33,106	-

7 Income tax expense (Continued)

The charge for the year can be reconciled to the profit per the income statement as follows:

	2019	2018
	£	£
Profit before taxation	157,356	133,253
Expected tax charge based on a corporation tax rate of 19.00%	29,898	-
Effect of expenses not deductible in determining taxable profit	2,760	-
Group relief	(8,053)	-
Under/(over) provided in prior years	8,501	-
Taxation charge for the year	33,106	-

8 Investments

	Current		Non-current	
	2019	2018	2019	2018
	£	£	£	£
Investments in subsidiaries	-	-	50,000	-

The company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

Fair value of financial assets carried at amortised cost

The directors consider that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

8 Investments **(Continued)**

Movements in non-current investments

	Shares in group undertakings £
Cost or valuation	
At 1 April 2018	-
Additions	50,000
At 31 March 2019	50,000
Carrying amount	
At 31 March 2019	50,000
At 31 March 2018	-

9 Subsidiaries

Details of the company's subsidiaries at 31 March 2019 are as follows:

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
Recovered Clothing Limited	United Kingdom	100.00	100.00	Import and distribution of garments

10 Inventories

	2019 £	2018 £
Finished goods	240,301	-

11 Trade and other receivables

	2019	2018
	£	£
Trade receivables	1,942,520	1,005,206
Other receivables	75,612	-
VAT recoverable	24,049	-
Amounts owed by subsidiary undertakings	66,013	-
Prepayments	317,940	304,174
	2,426,134	1,309,380

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

12 Borrowings

	2019	2018
	£	£
Unsecured borrowings at amortised cost		
Other loans	109,051	-
Loans from related parties	652,804	654,874
	761,855	654,874
Secured borrowings at amortised cost		
Loans from related parties	(652,804)	(654,874)

Analysis of borrowings

	2019	2018
	£	£
Current liabilities	109,051	-

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.

13 Trade and other payables

	Current		Non-current	
	2019	2018	2019	2018
	£	£	£	£
Trade payables	1,013,388	554,541	-	-
Amount owed to parent undertaking	-	-	652,804	654,874
Accruals	465,120	277,911	-	-
Other payables	635,731	501,516	-	-
	2,114,239	1,333,968	652,804	654,874

14 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £8,811 (2018 - £918).

15 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000
	50,000	50,000

16 Retained earnings

	2019	2018
	£	£
At the beginning of the year	(70,374)	(203,627)
Profit for the year	124,250	133,253
At the end of the year	53,876	(70,374)

17 Financial risk management

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 2019, the company held cash and cash equivalents of £319,635 (2018: £726,988).

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.

18 Related party transactions

	Sales in the period		Purchases in the period		Amounts owed from/ (to)	
	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£
Global Textile Group Limited, Mauritus	-	-	-	-	(652,804)*	(654,874)*
Multinational Textile Group Limited, Mauritius	-	-	-	66,000	-	(66,000)
Norwest Industries Limited, Hong Kong	11,581	190,417	153,555	-	(459,119)	(233,650)
Poeticgem International Limited, Hong Kong	69,924	432,372	-	-	(100,858)	(145,682)
Grupo Sourcing Limited	-	-	-	-	-	-
Poeticgem Limited.	-	-	-	-	52,030	(46,358)
Recovered Clothing Limited	10,860	-	-	-	66,013	-
Design Arc Asia Limited	13,905	-	33,053	-	(726)	-

18 Related party transactions (Continued)

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 £652,804 (2018: £654,874) which is interest free and repayable on demand.

19 Controlling party

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.

20 Cash generated from operations

	2019	2018
	£	£
Profit for the year after tax	124,250	133,253
Adjustments for:		
Taxation charged	33,106	-
Finance costs	1,186	-
Movements in working capital:		
(Increase)/decrease in inventories	(240,301)	61,032
Increase in trade and other receivables	(1,116,754)	(1,078,125)
Increase in trade and other payables	741,796	1,463,925
Cash (absorbed by)/generated from operations	(456,717)	580,085

POETIC BRANDS LIMITED

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 MARCH 2019

POETIC BRANDS LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2019

		2019		2018
	£	£	£	£
Revenue				
Sales of goods		7,747,342		3,571,300
Commission receivable		75,845		-
		7,823,187		3,571,300
Cost of sales				
Opening stock of finished goods	-		61,032	
Direct costs	6,391,401		2,949,779	
Carriage inwards and import duty	107,550		12,603	
Closing stock of finished goods	(240,301)		-	
		(6,258,650)		(3,023,414)
Gross profit		1,564,537		547,886
Distribution costs	194,403		183,810	
Administrative expenses	1,211,592		230,823	
		(1,405,995)		(414,633)
Operating profit		158,542		133,253
Finance costs				
Bank interest on loans and overdrafts		(1,186)		-
Profit before taxation		157,356		133,253

POETIC BRANDS LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018
	£	£
Distribution costs		
Commission payable	74,330	133,364
Sample costs	120,073	50,446
	194,403	183,810
Administrative expenses		
Wages and salaries	567,107	153,931
Social security costs	99,966	15,820
Staff recruitment costs	9,150	-
Staff welfare	9,678	18
Staff training	1,554	-
Staff pension costs defined contribution	8,811	918
Directors' remuneration	288,000	-
Management charge	60,000	66,000
Travelling expenses	40,180	1,298
Postage, courier and delivery charges	41,882	29,560
Legal and professional fees	2,234	-
Consultancy fees	10,000	1,733
Accountancy	1,775	700
Audit fees	4,000	3,130
Charitable donations	4,006	-
Bank charges	1,860	3,081
Insurances (not premises)	15,562	-
Printing and stationery	283	237
Advertising	-	970
Telecommunications	722	-
Other office supplies	8,538	437
Entertaining	14,526	2,844
Profit or loss on foreign exchange	21,758	(49,854)
	1,211,592	230,823

PDS ASIA STAR CORPORATION LIMITED

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

LOUIS LAI & LUK CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

PDS ASIA STAR CORPORATION LIMITED

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PDS ASIA STAR CORPORATION LIMITED

DIRECTORS' REPORT

The directors present their annual report and the annual audited consolidated financial statements of the Group for the year ended March 31, 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company is garment trading. The principal activity and other particulars of the subsidiary are set out in Note (17) 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 profit or loss and other comprehensive income on page 7.

The directors do not recommend the payment of any dividend for the year.

SHARE CAPITAL

Details of share capital of the Group are set out in Note (16) to the consolidated financial statements.

PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (12) to the consolidated 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.

PDS ASIA STAR CORPORATION LIMITED

DIRECTORS' REPORT (CONT'D)

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 (23) 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

A permitted indemnity provision for the benefit of the directors was in force during the year and up to the date of this report.

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 28, 2019.

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
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 40, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended March 31, 2019 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, 2019, 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.

Key Audit matter

We have determined that there are no key audit matters to communicate in our report.

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 (CONT'D)
TO THE MEMBERS OF
PDS ASIA STAR CORPORATION LIMITED
(incorporated in Hong Kong with limited liability)

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.

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.

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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
PDS ASIA STAR CORPORATION LIMITED
(incorporated in Hong Kong with limited liability)

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 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.

- 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.

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
PDS ASIA STAR CORPORATION LIMITED
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)

- 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.

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 28, 2019.

PDS ASIA STAR CORPORATION LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
REVENUE	(5)	461,253,048	397,843,657
COST OF GOODS SOLD		(420,632,215)	(364,842,340)
GROSS PROFIT		40,620,833	33,001,317
OTHER INCOME AND GAIN	(5)	14,021,149	7,971,972
STAFF COSTS		(27,309,642)	(26,431,279)
DEPRECIATION		(431,374)	(391,883)
OTHER OPERATING EXPENSES		(10,495,151)	(10,482,917)
PROFIT FROM OPERATIONS		16,405,815	3,667,210
FINANCE COST	(6)	(3,985,175)	(2,112,727)
PROFIT BEFORE TAXATION	(7)	12,420,640	1,554,483
TAXATION	(9)	-	-
PROFIT FOR THE YEAR		12,420,640	1,554,483
OTHER COMPREHENSIVE (LOSS)/INCOME			
Item that may be reclassified to profit or loss:			
- Exchange difference on translating foreign operation		(166,722)	241,992
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		12,253,918	1,796,475

THE NOTES ON PAGES 11 TO 40 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

PDS ASIA STAR CORPORATION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
Non-Current Assets			
Plant and equipment	(10)	805,798	603,330
Current Assets			
Deposits and prepayment		510,739	499,816
Trade and other receivables	(11)	44,588,508	55,264,198
Amounts due from fellow subsidiaries	(12)	17,374,750	42,880,820
Cash and cash equivalents		11,150,800	9,172,022
		73,624,797	107,816,856
Current Liabilities			
Amounts due to fellow subsidiaries	(13)	8,969,909	49,779,127
Amount due to immediate holding company	(13)	7,116,638	6,680,103
Trade and other payables	(14)	47,680,219	32,232,497
Secured bank borrowings	(15)	8,719,933	30,038,481
		72,486,699	118,730,208
Net Current Assets/(Liabilities)		1,138,098	(10,913,352)
NET ASSETS/(LIABILITIES)		1,943,896	(10,310,022)
EQUITY/(DEFICIT)			
Share capital	(16)	2,334,000	2,334,000
Translation reserve		(686,734)	(520,012)
Retained earnings/(Accumulated losses)		296,630	(12,124,010)
TOTAL EQUITY/(DEFICIT)		1,943,896	(10,310,022)

APPROVED BY THE BOARD OF DIRECTORS ON MAY 28, 2019 AND SIGNED ON BEHALF OF THE BOARD BY:

Deepak Kumar SETH
Director

FENG Qing
Director

THE NOTES ON PAGES 11 TO 40 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, 2019

	Share capital	Translation reserve	(Accumulated losses)/ Retained earnings	Total
	HK$	HK$	HK$	HK$
At 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 and April 1, 2018	2,334,000	(520,012)	(12,124,010)	(10,310,022)
Profit for the year and total comprehensive income for the year	-	(166,722)	12,420,640	12,253,918
At March 31, 2019	2,334,000	(686,734)	296,630	1,943,896

THE NOTES ON PAGES 11 TO 40 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, 2019

	2019	2018
	HK$	HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,420,640	1,554,483
Adjustments for:		
Depreciation	431,374	391,883
Bank interest income	(2,340)	(2,931)
Bank interest expenses	3,985,175	2,112,727
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	16,834,849	4,056,162
Increase in deposits and prepayment	(10,923)	(87,639)
Decrease/(Increase) in trade and other receivables	10,675,690	(13,576,036)
Net payments to fellow subsidiaries	(15,303,148)	(13,188,800)
Net receipt from immediate holding company	436,535	222,703
Increase in trade and other payables	15,447,722	12,948,151
NET CASH GENERATED FROM/(USED IN) OPERATIONS	28,080,725	(9,625,459)
Bank interest received	2,340	2,931
Bank interest paid	(3,985,175)	(2,112,727)
Net cash generated from/(used in) operating activities	24,097,890	(11,735,255)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(677,239)	(562,786)
Proceeds from disposal of plant and equipment	153,596	-
Net cash used in investing activities	(523,643)	(562,786)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (payments to)/receipts from secured bank borrowings and net cash (used in)/generated from financing activities	(21,318,548)	11,705,060
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,255,699	(592,981)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	9,172,022	9,523,836
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(276,921)	241,167
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11,150,800	9,172,022

THE NOTES ON PAGES 11 TO 40 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 activity is garment trading. 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 ultimate holding company and immediate holding company are PDS Multinational Fashions Limited and Multinational Textile Group Limited respectively. 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 (4) to the consolidated financial statements.

b. Changes in Accounting Policies and Disclosures

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, Financial instruments;
(ii) HKFRS 15, Revenue from contracts with customers;

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group has applied HKFRS 9 retrospectively to items that existed at April 1, 2018 in accordance with the transition requirements and there is no material effect of Group's financial results and financial position.
Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

A. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes (2f) and (2g).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at April 1, 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset at FVOCI or FVPL or financial liability at FVPL at April 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)

B. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at April 1, 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at April 1, 2018 (the date of initial application of HKFRS 9 by the company):
  - the determination of the business model within which a financial asset is held; and
  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at April 1, 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before April 1, 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

A. Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

B. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

C. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The adoption of HKFRS15 does not have a significant impact on the presentation of Group's contract assets and liabilities.

c. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary made up to March 31, 2019. 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)

c. 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 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 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 statement of financial position, the interest in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale. The results of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

d. Plant and Equipment

An item of plant and equipment is stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of 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 plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidation 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 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

d. Plant and Equipment (Cont'd)

Depreciation is calculated on a straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life, as follows:

Computer equipment	33%
Furniture and fixtures	25% - 33%
Leasehold improvement	33%
Motor vehicle	33%
Office equipment	33%
Software	33%

An item of plant and equipment and 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 arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidation statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

e. Impairment of Non-Financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current 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 other than goodwill 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, (only if there are revalued assets in the consolidated financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

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 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.

g. Financial Assets

The Group's financial assets are only classified under *Financial assets carried at amortised cost* category, including trade and other receivables, deposits, amount due from fellow subsidiaries and cash and cash equivalents.

Financial assets carried at amortised cost

(i) Initial recognition and measurement

All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

(ii) Subsequent measurement

At the end of each reporting period subsequent to initial recognition, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method, less 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 amortisation is included in finance income in the consolidation statement of profit or loss. The losses arising from impairment are recognised in the consolidation statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

g. Financial Assets (Cont'd)

(iii) Derecognition (Cont'd)

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 risks and rewards of ownership of the assets. When it has neither transferred nor retained substantially all of 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 Company'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.

(iv) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or the 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 the debtors 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.

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 the 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 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

g. Financial Assets (Cont'd)

(iv) Impairment of financial assets (Cont'd)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidation 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 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 write-off is later recovered, the recovery is credited to finance costs in the consolidation statement of profit or loss.

h. Financial Liabilities

Financial liabilities carried at amortised cost

The Group's financial liabilities are classified under *Financial liabilities carried at amortised cost*, including trade and other payables, amounts due to fellow subsidiaries and immediate holding company and secured bank borrowings.

(i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

(ii) Subsequent measurement

After initial recognition, financial liabilities carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method. 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 as finance costs in the consolidation statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

(iii) 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 consolidation statement of profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

j. Contract Assets and Contract Liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional.

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

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

k. Trade and Other Receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less impairment losses.

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. Trade and Other Payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

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 period-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.

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 period. Taxable profit differs from net profit 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 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 other comprehensive income. Deferred tax, if material, is charged or credited in the consolidation statement of profit or loss and other 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 consolidation financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

p. Revenue Recognition

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amount collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

- Revenue from sales of goods is recognised when the customers take possession of and accept the products.
- Service income is recognised when the services are rendered.
- Other income is recognised on a receipt basis.

q. Retirement Benefit Scheme

The Group's contributions to the mandatory provident fund scheme are charged to the consolidated statement of profit or loss as incurred.

The Group's employees who have completed the required number of years of service to the Group are eligible for long service payments in the event of the termination of their employment.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the end of reporting period.

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.

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. 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.

t. 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.

u. 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 on a straight-line basis over the term of the relevant lease.

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

v. 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 parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. 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 manages its capital structure and makes adjustments to it in light of changes in economic conditions. 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. No changes in the objectives, policies or processes for managing capital were made during the years ended March 31, 2019 and March 31, 2018.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected 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 Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur.

Estimate of fair values of current assets and liabilities

The nominal values of current assets and liabilities are assumed to approximate their fair values.

5. REVENUE, OTHER INCOME AND GAIN

	2019	2018
	HK$	HK$
Revenue, other income and gain recognised during the year are as follow:		
Revenue:		
Sales of goods	461,253,048	397,843,657
Other income and gains, net:		
Bank interest income	2,340	2,931
Commission income	9,449,795	6,421,475
Exchange gain, net	588,744	-
Marketing fee received	-	405,946
Penalty on suppliers	3,980,270	-
Sundry income	-	1,141,620
	14,021,149	7,971,972
Total revenue recognised	475,274,197	405,815,629

6. FINANCE COST

	2019	2018
	HK$	HK$
Bank finance charges	3,985,175	2,112,727

7. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting):

	2019	2018
Auditors' remuneration	76,734	124,562
Depreciation	431,374	391,883
Exchange (gain)/ loss, net	(588,744)	1,661,695
Staff costs:		
- Salaries	18,423,780	18,611,212
- MPF contribution	111,366	94,715
- Medical and benefits and expenses	7,706,866	7,340,623
- Staff welfare expenses	425,777	384,729

8. DIRECTORS' REMUNERATION

Directors' 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 follows:

	2019	2018
	HK$	HK$
Directors' fees	-	-
Salaries, allowances and benefits other than in cash	641,853	575,716
Retirement benefits	-	-
	641,853	575,716

9. 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. Profits tax of subsidiary has been calculated at the prevailing rate of the country in which the subsidiary operates.

No deferred tax has been recognised in the consolidated financial statements on the grounds that the deductible temporary differences of the Company for the current and previous years are negligible in comparison to the Company's overall financial position.

PDS ASIA STAR CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PLANT AND EQUIPMENT

	Computer equipment	Furniture and fixtures	Leasehold improvement	Motor vehicle	Office equipment	Software	Total
	HK$	HK$	HK$	HK$	HK$	HK$	HK$
Cost							
At 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 and 1/4/2018	1,020,264	624,794	327,201	926,717	399,556	163,321	3,461,853
Additions	531,669	-	100,897	-	44,673	-	677,239
Disposal	(111,184)	(3,148)	-	-	(39,264)	-	(153,596)
Exchange realignment	(74,291)	(39,750)	(25,865)	-	(23,802)	(10,604)	(174,312)
At 31/3/2019	1,366,458	581,896	402,233	926,717	381,163	152,717	3,811,184
Accumulated Depreciation							
At 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 and 1/4/2018	536,764	611,715	254,439	926,624	372,457	156,524	2,858,523
Charge for the year	333,719	5,149	51,138	93	34,629	6,646	431,374
Written back on disposal	(111,174)	(3,148)	-	-	(39,260)	-	(153,582)
Exchange realignment	(39,252)	(39,158)	(18,862)	-	(23,190)	(10,467)	(130,929)
At 31/3/2019	720,057	574,558	286,715	926,717	344,636	152,703	3,005,386
Net Carrying Amount							
At 31/3/2019	646,401	7,338	115,518	-	36,527	14	805,798
At 31/3/2018	483,500	13,079	72,762	93	27,099	6,797	603,330

11. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$	HK$
Trade receivables (Note)	40,268,112	51,099,692
Trade deposit paid	4,140,779	4,095,688
Other receivables	179,617	68,818
	44,588,508	55,264,198

Note: Aging analysis of trade receivables is as follows:

	2019	2018
Neither past due nor impaired	30,591,088	51,016,381
Past due but not impaired	9,677,024	83,311
	40,268,112	51,099,692

12. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

Amounts due from fellow subsidiaries 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 (Cap. 622) are as follows:

Name of borrower	2018	2019	Maximum outstanding
	HK$	HK$	HK$
PoeticGem Australia Limited (1)	508,701	-	508,701
Norwest USA Inc. (1)	58,350	58,350	58,350
Techno Design HK Limited (1)	1,567,724	-	1,567,724
360 Notch Limited (1)	-	2,314,906	2,314,906
JJ Star Industrial Limited (1)	157,256	402,925	402,925
Sourcing Solutions Limited (1)	3,717,272	-	3,717,272
Blueprint Design Limited (1)	1,000,658	234,689	1,000,658
Nor Lanka Manufacturing Limited (1)	140,040	-	140,040
Kleider Sourcing Hong Kong Limited (1)	2,707,440	-	2,707,440
PDS Fareast Limited (1)	949	281,029	281,029
Design Arc Europe Limited (1)	-	261	261

12. AMOUNTS DUE FROM FELLOW SUBSIDIARIES (CONT'D)

Name of borrower	2018	2019	Maximum outstanding
	HK$	HK$	HK$
Green Apparel Industries Limited [1]	31,256,066	13,324,615	31,256,066
Twins Asia Limited [1]	933,600	-	933,600
Progress Manufacturing Group Limited [1]	832,764	466,800	832,764
Spring Near East Manufacturing Co Limited [1]	-	291,175	291,175
	42,880,820	17,374,750	

[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.

13. 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.

14. TRADE AND OTHER PAYABLES

	2019	2018
	HK$	HK$
Trade payables (Note)	44,772,527	30,149,574
Trade deposit received	-	1,713,331
Other payables and accruals	2,907,692	369,592
	47,680,219	32,232,497

Note: Maturity of the trade payables is as follows:

	2019	2018
Due for payment:		
Not later than one year	44,772,527	29,285,522
Older than one year	-	864,052
	44,772,527	30,149,574

Trade payables are non-interest bearing and have no fixed credit terms.

15. SECURED BANK BORROWINGS

The carrying amount of the secured bank borrowings at the end of reporting period is analyzed as follows:

	2019	2018
	HK$	HK$
Amount repayable within one year:		
Clean import loans	1,176,541	1,141,931
Trust receipt loans	2,137,539	2,991,501
Discounted bills loans	5,405,853	25,905,049
	8,719,933	30,038,481

16. SHARE CAPITAL

	2019		2018	
	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.

17. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2019	2018
		HK$	HK$
Non-Current Assets			
Plant and equipment		128,415	61,088
Interest in a subsidiary	(17a)	7,839,615	7,859,267
		7,968,030	7,920,355
Current Assets			
Deposits and prepayment		163,346	144,674
Trade and other receivables		44,619,784	55,297,646
Amounts due from fellow subsidiaries		17,374,750	42,880,820
Cash and cash equivalent		9,056,860	7,334,936
		71,214,740	105,658,076
Current Liabilities			
Amounts due to fellow subsidiaries		8,969,909	49,779,127
Amount due to immediate holding company		7,116,638	6,680,103
Trade and other payables		46,275,918	32,362,119
Secured bank borrowings		8,719,933	30,038,481
		71,082,398	118,859,830
Net Current Assets/(Liabilities)		132,342	(13,201,754)
NET ASSETS/(LIABILITIES)		8,100,372	(5,281,399)
EQUITY/(DEFICIT)			
Share capital		2,334,000	2,334,000
Retained earnings/(Accumulated losses)	(18)	5,766,372	(7,615,399)
TOTAL EQUITY/(DEFICIT)		8,100,372	(5,281,399)

APPROVED BY THE BOARD OF DIRECTORS ON MAY 28, 2019 AND SIGNED ON BEHALF OF THE BOARD BY:

Deepak Kumar SETH
Director

FENG Qing
Director

17. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

(a) Interest in a subsidiary

	2019	2018
	HK$	HK$
Unlisted investment, at cost	7,556,598	7,556,598
Amount due from a subsidiary (Note)	283,017	302,669
Details of subsidiary are as follows:	7,839,615	7,859,267

(b) Particulars of subsidiary

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

Note: The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

18. MOVEMENT OF RESERVES OF THE COMPANY

	(Accumulated losses)/ Retained earnings
	HK$
At April 1, 2017	(8,031,539)
Profit for the year and total comprehensive income for the year	416,140
At March 31, 2018 and April 1, 2018	(7,615,399)
Profit for the year and total comprehensive income for the year	13,381,771
At March 31, 2019	5,766,372

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:

	2019	2018
	HK$	HK$
Within one year	1,381,170	1,181,555
In the second to fifth years inclusive	1,772,891	219,971
	3,154,061	1,401,526

20. BANKING FACILITIES

General banking facilities granted by various banks were secured by the Group's fixed deposit, fellow subsidiaries' corporate guarantee, ultimate holding and immediate holding companies' corporate guarantee, directors' personal guarantee, life insurance policy and fellow subsidiary's properties.

21. CONTINGENT LIABILITIES

(a) The Group had the following contingent liabilities not provided for in the consolidated financial statements at the end of reporting period:

	2019	2018
	HK$	HK$
Irrevocable letter of credit	6,289,105	364,437

(b) At the end of reporting period, there were mutual guarantees between the Group and its fellow subsidiaries.

22. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group's principal financial instrument comprises cash and cash equivalents and secured bank borrowings. The main purpose of the financial instrument is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group operates internationally and is primarily exposed to foreign exchange risk arising from currency exposures of the United States dollars, with respect to the Hong Kong dollar. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(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 related.

	2019 (Expressed in HKD)				
	CNY	GBP	EUR	USD	Total
Deposits and prepayment	347,393	-	-	-	347,393
Trade and other receivables	31,276	-	61,773	40,321,444	40,414,493
Trade and other payables	1,404,301	-	-	45,948,248	47,352,549
Cash and cash equivalents	286,331	31,068	1,529,317	5,396,252	7,242,968
Net exposure arising from recognised assets and liabilities	2,069,301	31,068	1,591,090	91,665,944	95,357,403

	2018 (Expressed in HKD)				
	CNY	GBP	EURUSD	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

22. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Foreign 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.

	2019		2018	
	Increase	Decrease	Increase	Decrease
	HK$	HK$	HK$	HK$
Chinese Yuan (CNY)	172,787	(172,787)	226,435	(226,435)
British Pounds (GBP)	2,594	(2,594)	2,594	(2,594)
Euro Dollars (EUR)	132,856	(132,856)	128,279	(128,279)
	308,237	(308,237)	357,308	(357,308)

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 2018.

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

22. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Interest rate risk

The Group has no significant interest bearing assets except secured bank borrowings. Its expenses and operating cash flows are substantially independent of changes in market interest rates. Carrying amounts of net financial liabilities as at March 31 that exposed to interest rate risks were as follows:

	2019	2018
	HK$	HK$
Clean import loans	1,176,541	14,141,931
Trust receipts loans	2,137,539	2,991,501
Discount bills loans	5,405,853	25,905,049
	8,719,933	30,038,481

Sensitivity analysis

At March 31, 2019, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, interest income and profit before taxation for the year ended March 31, 2019 would increase/decrease by a net amount of HK$255,160 (2018: HK$158,283). The carrying amount of financial asset/liability measured at amortized cost and the carrying amount of financial asset/liability bearing interest rate measured at fair value would not be affected by the assumed 100 basis points increase/decrease in interest rate.

Although a financial asset or financial liability may be subject to interest rate risk, its carrying amount may not necessarily be affected by the assumed 100 basis points increase in market interest rates.

23. RELATED PARTY TRANSACTIONS

During normal course of business, the Group had the following transactions with the related parties below.

Name of Company	Nature of transactions	2019	2018
		HK$	HK$
Techno Design HK Ltd.	Recharge income	373,440	210,060
Global Textiles Group Ltd.	Consultancy fee expenses	1,504,652	2,290,463
Multinational Textile Group Ltd	Management and service fee expenses	1,318,477	735,210
	Recharge expenses	-	155,608
	SAP expenses	248,960	-
Nor Lanka Manufacturing Ltd.	Recharge income	606,840	560,160
Norwest Industries Ltd.	Commission expenses	109,086	1,442,126
	Recharge income	793,560	560,160
	Recharge expenses	-	3,078,360
	Bank interest recovery expenses	833,658	672,192
Poeticgem Ltd.	Recharge expenses	-	2,416,922
Simple Approach Ltd.	Recharge income	746,880	560,160
	Recharge expenses	-	1,984,282
Spring Near East Manufacturing Co. Ltd.	Recharge income	1,178,496	1,120,320
	Recharge expenses	-	578,921
Zamira Fashion Limited	Recharge income	630,180	560,160
Kleider Sourching Hong Kong Ltd.	Recharge income	466,800	280,080
JJ Star Industrial Ltd.	Recharge income	933,600	560,160

PDS ASIA STAR CORPORATION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. RELATED PARTY TRANSACTIONS (CONT'D)

Name of Company	Nature of transactions	2019	2018
		HK$	HK$
Sourcing Solutions Ltd.	Recharge income	466,800	280,080
Techno Design GMBH	Recharge income	-	24,317
	Commission income	-	91,177
	Sales income	-	3,846,647
Grupo Sourcing Ltd.	Recharge income	140,040	140,040
Green Apparel Industries Ltd.	Recharge income	560,160	466,800
Twins Asia Ltd.	Recharge income	933,600	933,600
Progress Manufacturing Group Ltd.	Recharge income	560,160	466,800
Fareast Vogue Ltd.	Recharge income	326,760	280,080
Rising Star Asia Corporation Limited	Recharge expenses	-	1,231,834
Design Arc Asia Limited	Commission expenses	577,005	-
PDS Far East Limited	Recharge income	280,080	-
Parc Design Limited	Recharge income	140,040	-
		=======	=======

24. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2019

Up to the date of issue of these consolidation financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended March 31, 2019 and which have not been adopted in these consolidation financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	January 1, 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	January 1, 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	January 1, 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	January 1, 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.

25. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Group's Board of Director on May 28, 2019.

Company Registration No. 11446095 (England and Wales)

PDS VENTURES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2019

UHY Hacker Young
Chartered Accountants

COMPANY INFORMATION

Directors	Mr D Seth	(Appointed 3 July 2018)
	Mr P Seth	(Appointed 3 July 2018)
Company number	11446095	
Registered office	Quadrant House - Floor 6 4 Thomas More Square London E1W 1YW	
Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW	

PDS VENTURES LIMITED

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PDS VENTURES LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the period ended 31 March 2019.

Principal activities
The company was incorporated on 3 July 2018. The principal activity of the company is the design, import and distribution of garments.

Results and dividends
The results for the period are set out on page 6.

Directors
The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Mr D Seth	(Appointed 3 July 2018)
Mr P Seth	(Appointed 3 July 2018)

Auditor
UHY Hacker Young 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 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

....
Mr P Seth
Director
Date: 11 JUNE 2019

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

UHY Hacker Young
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PDS VENTURES LIMITED

Opinion

We have audited the financial statements of PDS Ventures Limited (the 'company') for the period ended 31 March 2019 which comprise the income statement, 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PDS VENTURES LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial period 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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF PDS VENTURES LIMITED

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.

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.

Vinodkumar Vadgama (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young

17 June 2019

Chartered Accountants
Statutory Auditor

PDS VENTURES LIMITED

INCOME STATEMENT
FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	Period ended 31 March 2019 £
Administrative expenses		(128,184)
Tax on (loss)/profit		-
(Loss)/profit and total comprehensive income for the financial period	**9**	(128,184)

The income statement has been prepared on the basis that all operations are continuing operations.

PDS VENTURES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £
Non-current assets		
Intangible assets	4	3,914
Property, plant and equipment	5	97,802
		101,716
Current assets		
Trade and other receivables	6	33,133
Cash and cash equivalents		10,000
		43,133
Current liabilities		
Trade and other payables	7	223,033
Net current liabilities		(179,900)
Total assets less current liabilities		(78,184)
Net liabilities		(78,184)
Equity		
Called up share capital	8	50,000
Retained earnings	9	(128,184)
Total equity		(78,184)

The financial statements were approved by the board of directors and authorised for issue on 11 JUNE 2019 and are signed on its behalf by:

Mr P Seth
Director

Company Registration No. 11446095

PDS VENTURES LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	Share capital £	Retained earnings £	Total £
Balance at 3 July 2018		-	-	-
Period ended 31 March 2019:				
Loss and total comprehensive income for the period		-	(128,184)	(128,184)
Issue of share capital	8	50,000	-	50,000
Balance at 31 March 2019		50,000	(128,184)	(78,184)

PDS VENTURES LIMITED

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	2019 £	£
Cash flows from operating activities			
Cash generated from/(absorbed by) operations	**13**		66,599
Net cash inflow/(outflow) from operating activities			66,599
Investing activities			
Purchase of intangible assets		(4,212)	
Purchase of property, plant and equipment		(102,387)	
Net cash used in investing activities			(106,599)
Financing activities			
Proceeds from issue of shares		50,000	
Net cash generated from/(used in) financing activities			50,000
Net increase in cash and cash equivalents			10,000
Cash and cash equivalents at beginning of year			-
Cash and cash equivalents at end of year			10,000

1 Accounting policies

Company information
PDS Ventures Limited is a private company limited by shares incorporated in England and Wales. The registered office is Quadrant House - Floor 6, 4 Thomas More Square, London, E1W 1YW.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share based payments, financial instruments, capital management, standards not yet effective and impairment of assets.

Where required, equivalent disclosures are given in the group accounts of PDS Multinational Fashions Limited. The group accounts of PDS Multinational Fashions Limited are available to the public and can be obtained as set out in note 12.

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. 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.

1 Accounting policies **(Continued)**

1.3 Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

- Software - 3 years straight line

1.4 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements	5 years striaght line
Fixtures and fittings	5 years straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

1.5 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

1 Accounting policies **(Continued)**

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

1 Accounting policies **(Continued)**

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.9 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1 Accounting policies **(Continued)**

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2 Operating (loss)/profit

	2019
	£
Operating loss for the period is stated after charging/(crediting):	
Fees payable to the company's auditor for the audit of the company's financial statements	3,500
Depreciation of property, plant and equipment	4,585
Amortisation of intangible assets	298

3 Employees

During the year there were no employees other than the directors.

4 Intangible fixed assets

	Software
	£
Cost	
Additions - purchased	4,212
At 31 March 2019	4,212
Amortisation and impairment	
Charge for the year	298
At 31 March 2019	298
Carrying amount	
At 31 March 2019	3,914

5 Property, plant and equipment

	Leasehold improvements	Fixtures and fittings	Total
	£	£	£
Cost			
Additions	74,747	27,640	102,387
At 31 March 2019	74,747	27,640	102,387
Accumulated depreciation and impairment			
Charge for the period	3,203	1,382	4,585
At 31 March 2019	3,203	1,382	4,585
Carrying amount			
At 31 March 2019	71,544	26,258	97,802

6 Trade and other receivables

	2019
	£
Other receivables	3,454
VAT recoverable	27,679
Prepayments	2,000
	33,133

7 Trade and other payables

	Current 2019
	£
Trade payables	18,166
Amount owed to parent undertaking	153,767
Accruals	3,500
Other payables	47,600
	223,033

8 Share capital

	2019
	£
Ordinary share capital	
Issued and fully paid	
50,000 Ordinary shares of £1 each	50,000
	50,000

During the period, 50,000 Ordinary shares were issued at par.

9 Retained earnings

	2019
	£
At the beginning of the period	-
Loss for the period	(128,184)
At the end of the period	(128,184)

10 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2019
	£
Minimum lease payments under operating leases	54,823

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

	2019
	£
Within one year	95,200
Between two and five years	333,200
	428,400

11 Related party transactions

As at 31 March 2019, the company owed Poeticgem Limited, £153,767.

Poeticgem Limited is a wholly owned subsidiary of Global Textiles Group Limited, a fellow group subsidiary.

Global Textiles Group Limited and PDS Ventures Limited are wholly owned subsidiaries of Multinational Textiles Group Limited.

12 Controlling party

The immediate parent company is Multinational Textile Group Limited, a company registered in Mauritius. 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 at # 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.

13 Cash generated from operations

	2019
	£
Loss for the period after tax	(128,184)
Adjustments for:	
Amortisation and impairment of intangible assets	298
Depreciation and impairment of property, plant and equipment	4,585
Movements in working capital:	
Increase in trade and other receivables	(33,133)
Increase/(decrease) in trade and other payables	223,033
Cash generated from/(absorbed by) operations	66,599

PDS VENTURES LIMITED

MANAGEMENT INFORMATION

FOR THE PERIOD ENDED 31 MARCH 2019

PDS VENTURES LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2019

		Period ended 31 March 2019
	£	£
Administrative expenses		(128,184)
Operating loss		(128,184)

PDS VENTURES LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE PERIOD ENDED 31 MARCH 2019

	Period ended 31 March 2019 £
Administrative expenses	
Rent re operating leases	54,823
Rates	28,710
Property repairs and maintenance	174
Legal and professional fees	16,517
Consultancy fees	3,405
Audit fees	3,500
Printing and stationery	237
Books, periodicals, reference materials	1,000
Telecommunications	55
Other office supplies	14,880
Amortisation	298
Depreciation	4,585
	128,184

Report of the Directors and Audited Financial Statements

PG GROUP LIMITED

31 March 2019

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ERNST & YOUNG

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Building a better working world

PG GROUP LIMITED

CONTENTS

PG GROUP LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2019.

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 2019 and its financial position at that date are set out in the financial statements on pages 6 to 53.

An interim 2018 dividend of US$0.36 per ordinary share and a final 2018 dividend of US$0.48 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.

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

28 MAY 2019

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

Tel 電話: +852 2846 9888
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ey.com

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 53, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, 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 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.

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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Independent auditor's report (continued)
To the members of PG Group Limited
(Incorporated in Hong Kong with limited liability)

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 2019

A member firm of Ernst & Young Global Limited

PG GROUP LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019

	Notes	2019 US$	2018 US$
REVENUE	5	31,824,696	30,061,480
Cost of sales		(24,883,442)	(24,525,214)
Gross profit		6,941,254	5,536,266
Other income and gain	5	187,076	35,174
Selling and administrative expenses		(5,925,506)	(4,357,508)
Finance costs	8	(25,609)	(16,654)
PROFIT BEFORE TAX	6	1,177,215	1,197,278
Income tax expense	9	-	-
PROFIT FOR THE YEAR		1,177,215	1,197,278
Attributable to:			
Owners of the parent		1,116,581	1,140,329
Non-controlling interest		60,634	56,949
		1,177,215	1,197,278

PG GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

	2019 US$	2018 US$
PROFIT FOR THE YEAR	1,177,215	1,197,278
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	26,717	5,057
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,203,932	1,202,335
Attributable to:		
Owners of the parent	1,139,998	1,145,788
Non-controlling interest	63,934	56,547
	1,203,932	1,202,335

PG GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 US$	2018 US$
NON-CURRENT ASSETS			
Property, plant and equipment	11	16,594	16,289
Prepayments, deposits and other receivables	14	14,092	28,716
Total non-current assets		30,686	45,005
CURRENT ASSETS			
Inventories	12	-	410
Trade and bills receivables	13	6,096,334	7,877,592
Prepayments, deposits and other receivables	14	196,209	83,923
Due from fellow subsidiaries	22(b)	13,240	255,224
Tax recoverable		1,083	998
Cash and cash equivalents		865,160	766,910
Total current assets		7,172,026	8,985,057
CURRENT LIABILITIES			
Trade and bills payables		840,964	2,862,573
Other payables and accruals	15	425,252	308,466
Due to the immediate holding company	20(b)	122,400	61,200
Due to a non-controlling shareholder	20(b)	117,600	58,800
Due to fellow subsidiaries	20(b)	167,175	196,807
Due to a related company	20(c)	494,944	1,044,851
Interest-bearing bank borrowings	16	1,901,154	1,648,495
Total current liabilities		4,069,489	6,181,192
NET CURRENT ASSETS		3,102,537	2,803,865
Net assets		3,133,223	2,848,870

continued/…

PG GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2019

	Notes	2019 US$	2018 US$
EQUITY			
Equity attributable to owners of the parent			
Share capital	17	1,000,000	1,000,000
Reserves	18	1,988,349	1,727,930
		2,988,349	2,727,930
Non-controlling interest		144,874	120,940
Total equity		3,133,223	2,848,870

Berstein Jauregui Sebastian Felipe
Director

Deepak Seth
Director

PG GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Note	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 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 and 1 April 2018		1,000,000	(63,268)*	1,791,198*	2,727,930	120,940	2,848,870
Effect of adoption of HKFRS 9	2.2(a)	-	-	(39,579)	(39,579)	-	(39,579)
At 1 April 2018 (restated)		1,000,000	(63,268)*	1,751,619	2,688,351	120,940	2,809,291
Profit for the year		-	-	1,116,581	1,116,581	60,634	1,177,215
Other comprehensive income for the year: Exchange difference on translation of foreign operations		-	23,417	-	23,417	3,300	26,717
Total comprehensive income for the year		-	23,417	1,116,581	1,139,998	63,934	1,203,932
Interim 2018 dividend declared		-	-	(360,000)	(360,000)	(40,000)	(400,000)
Final 2018 dividend declared		-	-	(480,000)	(480,000)	-	(480,000)
At 31 March 2019		1,000,000	(39,851)*	2,028,200*	2,988,349	144,874	3,133,223

* These reserve accounts comprise the consolidated reserves of US$1,988,349 (2018: US$1,727,930) in the consolidated statement of financial position.

PG GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 US$	2018 US$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,177,215	1,197,278
Adjustments for:			
Finance costs	8	25,609	16,654
Interest income	5	(742)	(12,086)
Depreciation	6	3,582	3,555
Impairment of intangible assets	6	-	4,189
Impairment/(reversal of impairment) of trade receivables	6	(13,879)	12,755
Loss on disposal of items of property, plant and equipment	6	847	-
		1,192,632	1,222,345
Decrease in inventories		376	4,055
Decrease/(increase) in trade and bills receivables		1,755,558	(5,013,002)
Increase in prepayments, deposits and other receivables		(103,479)	(11,890)
Decrease/(increase) in amounts due from fellow subsidiaries		241,984	(66,807)
Increase/(decrease) in trade and bills payables		(1,988,523)	2,501,666
Increase/(decrease) in other payables and accruals		122,082	(27,808)
Increase/(decrease) in an amount due to a related company		(549,907)	913,347
Increase/(decrease) in an amount due to the immediate holding company		(58,092)	40,800
Increase/(decrease) in an amount due to a non-controlling shareholder		(58,800)	58,800
Decrease in amounts due to fellow subsidiaries		(29,632)	(172,994)
Cash generated from/(used in) operations		524,199	(551,488)
Interest received		742	12,086
Overseas tax refunded/(paid)		(187)	6,151
Net cash flows from/(used in) operating activities		524,754	(533,251)
CASH FLOWS FROM INVESTING ACTIVITY			
Purchases of items of property, plant and equipment and net cash flows used in investing activity	11	(5,859)	(9,921)

continued/…

PG GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2019

	2019 US$	2018 US$
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(25,609)	(16,654)
Dividends paid	(640,000)	(582,000)
Proceeds from interest-bearing bank borrowings	6,523,728	5,477,502
Repayments of interest-bearing bank borrowings	(6,271,069)	(4,059,677)
Net cash flows from/(used in) financing activities	(412,950)	819,171
NET INCREASE IN CASH AND CASH EQUIVALENTS	105,945	275,999
Cash and cash equivalents at beginning of year	766,910	482,765
Effect of foreign exchange rate changes, net	(7,695)	8,146
CASH AND CASH EQUIVALENTS AT END OF YEAR	865,160	766,910
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	865,160	766,910

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 business	Issued ordinary /registered 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.

PG Shanghai Manufacturer Co. Ltd is registered as a wholly-foreign-owned enterprise under 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. 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 2019. 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKFRS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 cycle	Amendments to HKFRS1 and HKAS 28

The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

2.2 CHANGES IN ACCOUNTING POLICLIES AND DISCLOSURES (Continued)

(a) (continued)

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 at 1 April 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement	
	Note	Category	Amount	ECL	Amount	Category
			US$	US$	US$	
Financial assets						
Trade and bills receivables	(i)	L&R[1]	7,877,592	(39,579)	7,838,013	AC[2]
Prepayments, deposits and other receivables		L&R	41,914	-	41,914	AC
Due from fellow subsidiaries		L&R	255,224	-	255,224	AC
Cash and cash equivalents		L&R	766,910	-	766,910	AC
			8,941,640	(39,579)	8,902,061	
Financial liabilities						
Trade and bills payables		AC	2,862,573	-	2,862,573	AC
Other payables and accruals		AC	296,346	-	296,346	AC
Due to the immediate holding company		AC	61,200	-	61,200	AC
Due to a non-controlling shareholder		AC	58,800	-	58,800	AC
Due to fellow subsidiaries		AC	196,807	-	196,807	AC
Due to a related company		AC	1,044,851	-	1,044,851	AC
Interest-bearing bank borrowings			1,648,495	-	1,648,495	AC
			6,169,072	-	6,169,072	

[1] L&R: Loans and receivables

[2] AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The Group has remeasured the carrying amount of the trade and bills receivables based on the ECL allowance.

2.2 CHANGES IN ACCOUNTING POLICLIES AND DISCLOSURES (continued)

(a) (continued)

Impairment
The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 10 to the financial statements.

	Impairment allowances under HKAS 39 at 31 March 2018	Re-measurement	ECL allowances under HKFRS 9 1 April 2018
	US$	US$	US$
Trade receivables	12,755	39,579	52,334

Impact on retained profits
The impact of transition to HKFRS 9 on retained profits is as follows:

	US$
Retained profits	
Balance as at 31 March 2018 under HKAS 39	1,791,198
Recognition of expected credit losses for trade receivables	(39,579)
Balance as at 1 April 2018 under HKFRS 9	1,751,619

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for 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 assets and liabilities account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018. The adoption of HKFRS 15 does not have a material impact on the Group's consolidated financial statements.

2.3 CHANGES IN ACCOUNTING POLICLIES AND DISCLOSURES (Continued)

(b) (continued)

The cumulative effect of the initial application of HKFRS 15 was not significant to the Group's consolidated financial statements. The Comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 and 31 March 2018 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Group's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of financial position as at 1 April 2018:

		Amounts prepared under		
			Previous	Increase/
		HKFRS 15	HKFRS	(decrease)
	Note	US$	US$	US$
Contract liabilities	(i)	12,120	-	12,120
Other payables and accruals	(i)	296,346	308,466	(12,120)

Consolidated statement of financial position as at 31 March 2019:

		Amounts prepared under		
			Previous	Increase/
		HKFRS 15	HKFRS	(decrease)
	Note	US$	US$	US$
Contract liabilities	(i)	56,137	-	56,137
Other payables and accruals	(i)	369,115	425,252	(56,137)

The nature of the adjustments as at 1 April 2018 and the reasons for the significant changes in the statement of financial position as at 31 March 2019 are described below:

(i) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amounts are classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified US$12,120 from other payables to contract liabilities as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018.

As at 31 March 2019, under HKFRS 15, US$56,137 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance.

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

HKFRS 16 replaces HKAS 17 *Leases*, HK(FRIC)-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 - leases of low-value assets and short-term leases.

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

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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2019, the Group has performed a high-level assessment on the impact of adoption of HKFRS 16. As disclosed in note 20 to the financial statements, at 31 March 2019, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately US$85,205. The Group currently is still assessing whether, upon adoption of HKFRS 16, certain amounts included therein will need to be recognised as new right-of-use assets and lease liabilities. Further detailed analysis, however, will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to any amounts relating to leases of low value assets and short term leases, other practical expedients and reliefs chosen.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements

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

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

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.

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 year 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)
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:

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 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.

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 (policies under HKFRS 9 applicable from 1 April 2018)
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 financial assets at amortised cost (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Initial recognition and measurement
Financial assets 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) (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 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.

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)
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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)
The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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.

General approach
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 (that is 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 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 the administrative expenses in statement of profit or loss.

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

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

The Company's financial liabilities include trade and bills payables, other payables and accruals, amounts due to the immediate holding company, a non-controlling shareholder, fellow subsidiaries, a related company and interest-bearing bank borrowings.

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 statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
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 statement of profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is 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.

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.

3. 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 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. Tax rates enacted or substantively enacted by the end of the reporting period are used to determine the deferred tax.

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, and 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 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 (applicable from 1April 2018)
Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from the sales of home and garment products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the home and garment products.

Other income
Interest income
Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, which appropriate, to the net carrying amount of the financial asset.

Marketing service fee
Revenue from the provision of marketing services is recognised over time as services are rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable before 1 April 2018)
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.

Other employee benefits
Pension scheme
The Group operates a mandatory provident fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees. 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. These 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.

Foreign currencies
These financial statements are presented in US$, 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 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 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 profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)
The functional currencies of overseas subsidiaries are currencies other than US$. As at the end of the reporting period, the assets and liabilities of these entities are translated into US$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into HK$ at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation 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.

Contract liabilities (applicable from 1 April 2018)
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

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.

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.

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.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 14 to the financial statements, respectively.

5. REVENUE, OTHER INCOME AND GAIN

(i) Disaggregated revenue information
The Group's entire revenue of goods transferred is recognised at a point in time.

(ii) Performance obligations
Information about the Group's performance obligations is summarised below:

Sale of home and garment products
The performance obligation is satisfied upon delivery of the home and garment products is generally due with 30 to 90 days from delivery, except for new customers, where payment in advance is normally required

An analysis of revenue, other income and gain is as follows:

	2019 US$	2018 US$
Revenue from contracts with customers		
Sale of goods	31,824,696	30,061,480
Other income and gain		
Bank interest income	742	112
Interest income from a related party	24,273	11,974
Compensation from suppliers for late shipments	32,599	20,891
Marketing service fee	125,000	-
Others	4,462	2,197
	187,076	35,174

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Note	2019 US$	2018 US$
Cost of inventories sold		24,883,442	24,525,214
Depreciation		3,582	3,555
Minimum lease payments under operating leases		121,677	120,495
Auditor's remuneration		33,676	29,825
Employee benefit expense (excluding directors' remuneration (note 8)):			
Salaries and allowances		1,305,338	1,064,422
Pension scheme contributions (defined contribution scheme)		301,692	272,702
		1,607,030	1,337,124
Foreign exchange differences, net		4,631	5,289
Impairment of intangible assets*		-	4,189
Impairment/(reversal of impairment) of trade receivables*	14	(13,879)	12,755
Loss on disposal of items of property, plant and equipment		847	-

* These were 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:

	2019 US$	2018 US$
Fees	-	-
Other emoluments:		
Salaries and allowances	135,422	144,224
Pension scheme contributions	2,330	2,192
	137,752	146,416

8. FINANCE COSTS

	2019 US$	2018 US$
Interest on interest-bearing bank borrowings	25,609	16,654

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 (2018: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

A reconciliation of the tax charge applicable to profit before tax at the Hong Kong statutory tax rate to the tax credit at the effective tax rate is as follows:

	2019 US$	2018 US$
Profit before tax	1,177,215	1,197,278
Tax charge at the Hong Kong statutory tax rate of 16.5% (2018: 16.5%)	194,242	197,551
Difference in tax rates applied for specific provinces or local authority	(2,716)	(231)
Income not subject to tax	(198,370)	(198,113)
Expenses not deductible for tax	8,605	5,951
Tax losses utilised from previous periods	(1,761)	(5,158)
Tax at the effective tax rate	-	-

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$4,887 (2018: US$5,290), 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$800,105 (2018: US$874,458), 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$804,992 (2018: US$879,748), 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

	2019 US$	2018 US$
Interim - US$0.36 (2018: 0.48) per ordinary share	360,000	482,000
Final - US$0.48 (2018: 0.22) per ordinary share	480,000	220,000
	840,000	702,000

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US$	Furniture and fixtures US$	Office equipment US$	Total US$
31 March 2019				
At 31 March 2018 and at 1 April 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
At 1 April 2018, net of accumulated depreciation	-	891	15,398	16,289
Additions	-	-	5,859	5,859
Disposals	-	-	(847)	(847)
Depreciation provided during the year	-	(235)	(3,347)	(3,582)
Exchange realignment	-	(69)	(1,056)	(1,125)
At 31 March 2019, net of accumulated depreciation	-	587	16,007	16,594
At 31 March 2019:				
Cost	40,720	64,624	41,126	146,470
Accumulated depreciation	(40,720)	(64,037)	(25,119)	(129,876)
Net carrying amount	-	587	16,007	16,594

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements US$	Furniture and fixtures US$	Office equipment US$	Total US$
31 March 2018				
At 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

12. INVENTORIES

	2019 US$	2018 US$
Finished goods	-	410

13. TRADE AND BILLS RECEIVABLES

	2019 US$	2018 US$
Trade receivables	3,680,574	2,703,490
Bills receivable	912,540	1,928,451
Amount due from a related party	1,541,675	3,258,406
Less: Impairment	(38,455)	(12,755)
	6,096,334	7,877,592

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group maintains a defined credit policy and credit periods are usually granted ranging from one to four months from the month-end of date of invoice to customers. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables related to a large amount of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-intersest-bearing.

As at the end of the reporting period, included in the Group's trade receivables of US$1,541,675 (2018: US$3,258,406) is an amount due from Grupo Extremo SUR S.A. ("Grupo"), a related company as detailed in note 20(c), which is repayable on credit terms similar to those offered to the major customers of the Group.

13. TRADE AND BILLS RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

	2019 US$	2018 US$
At beginning of year	12,755	-
Effect of adoption of HKFRS 9	39,579	-
At beginning of year (restated)	52,334	-
Impairment losses/(reversal of impairment loss) recognised (note 6)	(13,879)	12,755
At end of year	38,455	12,755

Impairment under HKFRS 9 for the year ended 31 March 2019
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade and bills receivables using a provision matrix:

As at 31 March 2019

		Pass due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.63%	0.63%	0.63%	0.85%	0.63%
Gross carrying amount (HK$)	4,317,059	853,806	963,924	-	6,134,789
Expected credit losses (HK$)	27,095	5,385	5,975	-	38,455

13. TRADE AND BILLS RECEIVABLES (continued)

Impairment under HKAS 39 for the year ended 31 March 2018
An ageing analysis of the trade and bills receivables as at 31 March 2018 that were past due but not individually nor collectively considered to be impaired under HKAS 39 is as follows:-

	2018 US$
Neither past due nor impaired	96,692
Past due but not impaired:	
Less than one month	2,061,852
One to three months	5,700,922
Over three months	18,126
	7,877,592

Receivables that were neither pas due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances under HKAS 39 was necessary in respect of these balance as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 US$	2018 US$
Prepayments	86,281	70,725
Deposits	37,135	22,783
Other receivables	86,885	19,131
	210,301	112,639
Less: Portion classified as non-current	(14,092)	(28,716)
	196,209	83,923

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.

15. OTHER PAYABLES AND ACCRUALS

	Note	2019 US$	2018 US$
Accruals		86,225	115,670
Accrued employee benefits		4,741	3,875
Other payables		278,149	176,801
Contract liabilities	(i)	56,137	-
Receipts in advance		-	12,120
		425,252	308,466

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

(i) Details of contract liabilities as at 31 March 2019 and 1 April 2018 are as follows

	2019 US$	2018 US$
Short-term advances received from customers		
Sales of goods	56,137	12,120

Contract liabilities include short-term advances received to deliver garment products.

16. INTEREST-BEARING BANK BORROWINGS

	2019 US$	2018 US$
Import loans	1,901,154	1,648,495

The import loans as at 31 March 2019 were denominated in US$, interest-bearing at 3.57%-4.59% (2018: 3.09%-3.83%) 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.

17. SHARE CAPITAL

	2019 US$	2018 US$
Issued and fully paid:		
1,000,000 ordinary shares	1,000,000	1,000,000

18. 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.

19. 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:

	2019 US$	2018 US$
Within one year	85,205	97,445
In the second to fifth years, inclusive	-	66,990
	85,205	164,435

20. 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	2019 US$	2018 US$
Immediate holding company:			
Management fees paid	(i)	22,620	17,500
A fellow subsidiary:			
Consultancy fees paid	(ii)	246,937	261,680
A related company:			
Sales of goods	(iii)	11,319,905	15,486,394
Commissions paid	(iv)	2,562,666	1,477,751
Interest income	(v)	24,273	11,953

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.

20. RELATED PARTY TRANSACTIONS (continued)

(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.

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

Name	31 March 2019 US$	Maximum amount outstanding during the year US$	31 March 2018 US$	Maximum amount outstanding during the year US$	1 April 2017 US$
Trade receivables from Grupo (note 14)	1,541,675	3,258,406	3,258,406	3,761,356	1,678,706
Due to Grupo	(494,944)	(1,044,851)	(1,044,851)	(1,351,556)	(131,504)
	1,046,731		2,213,555		1,547,202

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.

21. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank borrowings
At 1 April 2018	1.648,495
Changes from financing cash flows	252,659
At 31 March 2019	1,901,154

	Interest-bearing bank borrowings
At 1 April 2017	230,670
Changes from financing cash flows	1,417,825
At 31 March 2018	1,648,495

22. 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 bills payables, financial liabilities included in other payables and accruals, 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.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

At the end of the reporting period, the carrying amounts of the Group'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 and accruals, 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.

24. 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 25% (2018: 41%) and 85% (2018: 84%) 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.

24. 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 2019 and 31 March 2018.

24. 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:

	2019 US$	2018 US$
NON-CURRENT ASSETS		
Property, plant and equipment	1,711	847
Investments in subsidiaries	425,025	425,025
Total non-current assets	426,736	425,872
CURRENT ASSETS		
Trade and bills receivables	5,487,221	6,704,544
Prepayments and other receivables	118,066	14,142
Due from fellow subsidiaries	13,240	255,224
Due from a subsidiary	20,769	20,769
Cash and cash equivalents	597,212	451,814
Total current assets	6,236,508	7,446,493
CURRENT LIABILITIES		
Trade and bills payables	529,806	2,399,277
Other payables and accruals	115,023	111,968
Due to the immediate holding company	122,400	61,200
Due to a non-controlling shareholder	117,600	58,800
Due to fellow subsidiaries	164,175	196,807
Due to a related company	494,944	1,044,851
Due to a subsidiary	885,355	114,624
Interest-bearing bank borrowings	1,901,154	1,648,495
Total current liabilities	4,330,457	5,636,022
NET CURRENT ASSETS	1,906,051	1,810,471
Net assets	2,332,787	2,236,343

continued/…

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (continued)

	2019 US$	2018 US$
EQUITY		
Share capital	1,000,000	1,000,000
Retained profits (note)	1,332,787	1,236,343
Total equity	2,332,787	2,236,343

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Berstein Jauregui Sebastian Felipe
Director

Deepak Seth
Director

25. 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 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 and at 1 April 2018	1,236,343
Effect of adoption of HKFRS 9	(31,639)
Profit and total comprehensive income for the year	968,083
Interim 2018 dividend declared	(360,000)
Final 2018 dividend declared	(480,000)
At 31 March 2019	1,332,787

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 May 2019.

Company Registration No. 02608346 (England and Wales)

POETICGEM LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

UHY Hacker Young
Chartered Accountants

POETICGEM LIMITED

COMPANY INFORMATION

Directors	Mr A Banaik Mrs P Seth Dr A Bhupatkar (Appointed 1 April 2019)
Secretary	Mr K Kanodia
Company number	02608346
Registered office	Quadrant House - Floor 6 4 Thomas More Square London E1W 1YW
Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW

POETICGEM LIMITED

CONTENTS

POETICGEM LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present the strategic report and financial statements for the year ended 31 March 2019.

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 2018 of £186,647 has increased to £274,073 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	**2019**	**2018**
a) Average credit period for trade receivables	69 days	88 days
ii) Financial stability of the company	**2019**	**2018**
Working capital ratio	2.65:1	3.81:1
Liquidity ratio	2.64:1	3.76:1

Key risks and uncertainties

The main risk 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 liabilities 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 A Banaik
Director
14 June 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

As stated in note 1.2, the directors have chosen to prepare the financial statements as if they were statutory financial statements for purpose of group consolidation.

Principal activities
The principal activity of the company continued to be that of the design, import and distribution of garments.

Results and dividends
The results for the year are set out on page 8.

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 directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr A Banaik	
Mrs P Seth	
Dr A Bhupatkar	(Appointed 1 April 2019)

Auditor
The auditor, UHY Hacker Young, is 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

Mr A Banaik
Director
14 June 2019

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF POETICGEM LIMITED

Opinion

We have audited the financial statements of Poeticgem Limited (the 'company') for the year ended 31 March 2019 which comprise the income statement, 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF POETICGEM LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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.

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF POETICGEM 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. 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.

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.

Vinodkumar Vadgama (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young 17 June 2019

Chartered Accountants
Statutory Auditor

POETICGEM LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2018 £
Revenue	3	15,924,846	14,716,721
Cost of sales		(7,304,969)	(5,355,247)
Gross profit		8,619,877	9,361,474
Distribution costs		(1,829,170)	(1,479,193)
Administrative expenses		(7,172,141)	(7,294,832)
Other operating income		654,307	(399,260)
Operating profit	4	272,873	188,189
Investment income	7	1,404	10,163
Finance costs	8	(204)	(11,705)
Profit before taxation		274,073	186,647
Tax on profit	9	(4,439)	-
Profit and total comprehensive income for the financial year	20	269,634	186,647

The income statement has been prepared on the basis that all operations are continuing operations.

POETICGEM LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Non-current assets			
Property, plant and equipment	10	493,388	482,284
Investment property	11	2,251,184	2,275,604
Investments	12	1,045,447	1,065,739
		3,790,019	3,823,627
Current assets			
Inventories	14	37,078	109,643
Trade and other receivables	15	10,451,284	8,712,830
Cash and cash equivalents		921,661	462,837
		11,410,023	9,285,310
Current liabilities			
Borrowings	16	787,639	625,042
Trade and other payables	17	3,096,078	1,445,797
Taxation and social security		234,522	231,471
		4,118,239	2,302,310
Net current assets		7,291,784	6,983,000
Total assets less current liabilities		11,081,803	10,806,627
Non-current liabilities			
Trade and other payables	17	195,275	251,855
Net assets		10,886,528	10,554,772

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Equity			
Called up share capital	19	50,000	50,000
Other reserves		51,961	(10,161)
Retained earnings	20	10,784,567	10,514,933
Total equity		10,886,528	10,554,772

The financial statements were approved by the board of directors and authorised for issue on 14 June 2019 and are signed on its behalf by:

Director

Company Registration No. 02608346

POETICGEM LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Share capital	Other reserves	Retained earnings	Total
	£	£	£	£
Balance at 1 April 2017	50,000	(3,128)	10,328,286	10,375,158
Year ended 31 March 2018:				
Profit and total comprehensive income for the year	-	-	186,647	186,647
Other movements	-	(7,033)	-	(7,033)
Balance at 31 March 2018	50,000	(10,161)	10,514,933	10,554,772
Year ended 31 March 2019:				
Profit and total comprehensive income for the year	-	-	269,634	269,634
Other movements	-	62,122	-	62,122
Balance at 31 March 2019	50,000	51,961	10,784,567	10,886,528

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	24		427,095		(65,396)
Interest paid			(204)		(11,705)
Net cash inflow/(outflow) from operating activities			426,891		(77,101)
Investing activities					
Purchase of property, plant and equipment		(214,482)		(391,638)	
Purchase of investment property		-		(5,345)	
Proceeds on disposal of investments		20,292		624,665	
Interest received		1,404		10,163	
Net cash (used in)/generated from investing activities			(192,786)		237,845
Financing activities					
Repayment of borrowings		-		(772,554)	
Repayment of bank loans		162,597		506,726	
Proceeds of derivatives		62,122		(7,033)	
Net cash generated from/(used in) financing activities			224,719		(272,861)
Net increase/(decrease) in cash and cash equivalents			458,824		(112,117)
Cash and cash equivalents at beginning of year			462,837		574,954
Cash and cash equivalents at end of year			921,661		462,837

1 Accounting policies

Company 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 principle activity of the company is disclosed in the Directors' Report.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

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 aspects.

The company meets the definition of a qualifying entity under FRS 101, The Financial Reporting Standard applicable in the UK and Republic of Ireland. These financial statements for the year ended 31 March 2019 are the first financial statements of Poeticgem Limited prepared in accordance with FRS 101. The company transitioned from EU-adopted IFRS to FRS 101 for all periods presented and the date of transition to FRS 101 was 1 April 2017.

The reported financial position and financial performance for the previous period are not affected by the transition to FRS 101.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets and impairment of assets.

Where required, equivalent disclosures are given in the group accounts of PDS Multinational Fashions Limited. The group accounts of PDS Multinational Fashions Limited are available to the public and can be obtained as set out in note .

1 Accounting policies **(Continued)**

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.

1.2 Property, plant and equipment
Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Leasehold	1% traight line on long lease and over lease term for short lease
Fixtures, fittings & equipment	25% reducing balance
Plant and machinery	33.33% reducing balance
Motor vehicles	25% reducing balance

1 Accounting policies **(Continued)**

1.3 Investment properties

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 reates calculated to write off the cost less estimated residual value of each asset pver its expected useful life, as follows:

Freehold land and buildings	1% straight line

1.4 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.5 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

1.6 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

1.8 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.9 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1 Accounting policies **(Continued)**

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 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 reporting end 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 goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end 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 the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1 Accounting policies (Continued)

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight line basis over the lease term.

Rentals payable under operating leases, less any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

2 Adoption of new and revised standards and changes in accounting policies

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 16 Leases - effective from 1 January 2019

The company has considered the impact of IFRS 15 Revenue from Contracts with Customers and concluded that the impact to the reporting is minimal hence no restatement of results has been performed.

3 Revenue

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

	2019	2018
	£	£
Revenue analysed by class of business		
Sale of Garments	7,830,850	5,903,512
Commission receivable	8,093,996	8,813,209
	15,924,846	14,716,721

	2019	2018
	£	£
Other significant revenue		
Interest income	1,404	10,163

	2019	2018
	£	£
Revenue analysed by geographical market		
UK	3,091,651	4,292,700
Europe	4,739,199	1,610,812
Rest of the world	8,093,996	8,813,209
	15,924,846	14,716,721

4 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange (gains)/losses	(270,859)	783,008
Fees payable to the company's auditor for the audit of the company's financial statements	25,342	25,470
Depreciation of property, plant and equipment	203,378	175,696
Depreciation of investment property	24,420	24,432
Cost of inventories recognised as an expense	7,304,969	5,355,247

5 Employees

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

	2019 Number	2018 Number
Designers	39	39
Sales	24	22
Management and administration	20	17
Quality Control	11	7
	94	85

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	4,606,496	4,547,752
Social security costs	543,010	536,130
Pension costs	47,571	-
	5,197,077	5,083,882

6 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	100,000	100,000

7 Investment income

	2019 £	2018 £
Interest income		
Interest on bank deposits	1,404	10,163

Total interest income for financial assets that are not held at fair value through profit or loss is £1,404 (2018 - £10,163).

8 Finance costs

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	307	2,706
Interest on other loans	(103)	8,999
	204	11,705

9 Income tax expense

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	9,000	-
Adjustments in respect of prior periods	(4,561)	-
Total UK current tax	4,439	-

The charge for the year can be reconciled to the profit per the income statement as follows:

	2019	2018
	£	£
Profit before taxation	274,073	186,647
Expected tax charge based on a corporation tax rate of 19.00%	52,074	35,463
Effect of expenses not deductible in determining taxable profit	32,405	23,961
Tax losses surrendered from group company	(73,426)	(39,460)
Other differences	(6,614)	(19,964)
Taxation charge for the year	4,439	-

10 Property, plant and equipment

	Land and buildings Leasehold	Fixtures, fittings & equipment	Plant and machinery	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 31 March 2018	885,682	821,963	1,171,286	2,916	2,881,847
Additions	40,279	9,239	143,949	21,015	214,482
At 31 March 2019	925,961	831,202	1,315,235	23,931	3,096,329

10 Property, plant and equipment (Continued)

	Land and buildings Leasehold	Fixtures, fittings & equipment	Plant and machinery	Motor vehicles	Total
	£	£	£	£	£
Accumulated depreciation and impairment					
At 31 March 2018	692,806	781,913	922,602	2,242	2,399,563
Charge for the year	75,951	22,157	98,265	7,005	203,378
At 31 March 2019	768,757	804,070	1,020,867	9,247	2,602,941
Carrying amount					
At 31 March 2019	157,204	27,132	294,368	14,684	493,388
At 31 March 2018	192,876	40,050	248,684	674	482,284

11 Investment property

	2019
	£
Cost	
At 1 April 2018 and 31 March 2019	2,326,123
Accumulated depreciation	
At 1 April 2018	50,519
Charge for the year	24,420
At 31 March 2019	74,939
Carrying value	
At 31 March 2019	2,251,184
At 31 March 2018	2,275,604

11 Investment property **(Continued)**

Security
Properties with a carrying value of £2,251,184 (2018: £2,275,604) are subject to a legal charge.

Valuation
Properties with a carrying value of £2,251,184 (2018: £2,275,604) 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.

12 Investments

	Current		Non-current	
	2019	2018	2019	2018
	£	£	£	£
Investments in subsidiaries	-	-	856,445	856,445
Other investments	-	-	189,002	209,294
	-	-	1,045,447	1,065,739

The company has not designated any financial assets that are not classified as held for trading as financial assets at fair value through profit or loss.

Fair value of financial assets carried at amortised cost
Except as detailed below the directors believe that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

12 Investments (Continued)

Movements in non-current investments

	Shares in group undertakings	Other investments other than loans	Total
	£	£	£
Cost or valuation			
At 1 April 2018	856,445	209,294	1,065,739
Valuation changes	-	(20,292)	(20,292)
At 31 March 2019	856,445	189,002	1,045,447
Carrying amount			
At 31 March 2019	856,445	189,002	1,045,447
At 31 March 2018	856,445	209,294	1,065,739

13 Subsidiaries

Details of the company's subsidiaries at 31 March 2019 are as follows:

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
FX Import Hong Kong Limited	Hong Kong	100.00	100.00	Importing and distribution of garments
Pacific Logistics Limited	England and Wales	100.00	100.00	Dormant
FX Import Company Limited	England and Wales	100.00	100.00	Importing and distribution
Poetic Knitwear Limited	England and Wales	100.00	100.00	Dormant

14 Inventories

	2019	2018
	£	£
Finished goods	37,078	109,643

15 Trade and other receivables

	2019	2018	2019	2018
	£	£	£	£
Trade receivables	1,482,964	1,420,646	-	-
Other receivables	1,425,551	937,475	513,079	511,108
VAT recoverable	91,070	172,547	-	-
Amounts owed by subsidiary undertakings	1,325,005	1,416,477	-	-
Amounts owed by fellow group undertakings	5,481,119	4,057,862	-	-
Prepayments	132,496	196,715	-	-
	9,938,205	8,201,722	513,079	511,108

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

16 Borrowings

	2019	2018
	£	£
Unsecured borrowings at amortised cost		
Bank loans	787,639	625,042

16 Borrowings (Continued)

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2019	2018
	£	£
Current liabilities	787,639	625,042

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 2019 the company had available £2,500,000 (2018: £2,500,000) 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.

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

17 Trade and other payables

	Current		Non-current	
	2019	2018	2019	2018
	£	£	£	£
Trade payables	1,066,199	1,087,523	-	-
Amounts owed to fellow group undertakings	1,338,397	63,208	-	-
Amounts owed to related parties	84,193	45,779	-	-
Accruals	201,913	179,629	-	-
Other payables	405,376	69,658	195,275	251,855
	3,096,078	1,445,797	195,275	251,855

18 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £47,571 (2018 - £-).

19 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
50,000 Ordinary shares of £1 each	50,000	50,000
	50,000	50,000

20 Retained earnings

	2019	2018
	£	£
At the beginning of the year	10,514,933	10,328,286
Profit for the year	269,634	186,647
At the end of the year	10,784,567	10,514,933

21 Operating lease commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2019	2018
	£	£
Minimum lease payments under operating leases	289,574	284,047

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

	2019	2018
	£	£
Within one year	567,353	310,791
Between two and five years	1,437,085	441,944
In over five years	51,250	-
	2,055,688	752,735

22 Capital risk 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 ration as borrowings, including current and non-current borrowings, divided by total capital as represented by borrowings less cash and cash equivalents plus total equity.

23 Related party transactions

	Rent/commission and other income		Purchases/commission and other expenses		Amounts owed from/ (to) related party	
	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£
Norwest Industries Limited	3,965,492	4,435,146	263,543	686,106	(903,304)	351,751
Nor Lanka Manufacturing Limited	78,852	126,621	1,402,802	146,192	(223,291)	(44,510)
Global Textile Group Limited	-	-	-	8,999	-	-
Pacific Logistics Limited	-	-	-	-	383,103▲	377,049▲
Simple Approach Limited	-	-	-	-	26,032	11,086
FX Import Company Limited	51,195	181,080	-	-	690,098*	790,063*
Poeticgem International Limited	4,233,687	4,561,119	-	-	3,088,224	1,992,090
Techno Design GMBH	-	-	-	-	364	-
Spring Near East Manufacturing Limited	-	-	-	-	239,248	236,092
Casa Forma Ltd	-	-	-	-	17,164	19,248
Design Arc UK Ltd	-	-	-	-	119,855	164,081
Zamira Fashion Limited	-	-	-	-	174,876	172,804
Blueprint Design Ltd	-	-	-	-	1,167,541	896,304
Poetic Knitwear Limited	-	-	-	-	704,921	702,483
Parc Designs Private Limited	-	-	-	-	2,024	-
JJ Star Industrial Limited	-	-	-	-	25,290	24,451
Digital Internet Technologies	-	-	-	-	994	973
Green Smart Shirts Limited	-	-	-	-	4,561	586
Progress Apparels (Bangladesh) Limited	-	-	-	-	11,272	5,738
Progress Manufacturing Group Ltd	-	-	-	-	417	417
Kleider Sourcing Hongkong Limited	-	-	-	-	452	-
Krayons Sourcing Limited	-	-	-	-	6,115	4,840
PDS Asia Star Corporation Limited	-	-	-	-	15,127	19,522
PDS Far-east Limited	-	-	-	-	(19,060)	(7,198)
Twins Asia Limited	-	-	-	-	121	121
360 Notch Ltd	-	-	150,712	-	(140,712)	-
Nordelhi Manufacturing Ltd	-	-	-	-	1,783	1,783
Techno Design HK	-	-	-	-	79	79

23 Related party transactions (Continued)

	Rent/commission and other income		Purchases/commission and other expenses		Amounts owed from/ (to) related party	
	2019	2018	2019	2018	2019	2018
	£	£	£	£	£	£
Design Arc Europe Ltd	-	-	-	-	90,738	23,590
Design Arc Asia Limited	17,549	84,760	10,646	-	4,044	84,760
Poetic Brands Ltd	-	-	-	-	(52,031)	46,358
PDS Venture Ltd	-	-	-	-	153,860	-
Clover Collections Ltd	-	-	-	-	329,192	-
Fareast Vogue Limite	-	-	-	-	266	-
Grupo Sourcing Limited	-	-	-	-	75	75
Sourcing Solutions Limited	-	-	-	-	364	(11,500)
PG Group Limited	-	-	-	-	839	915
PDS Multinational Fashions Ltd	-	-	-	-	200	200

* The amount owed by FX Import Company Limited includes an interest free long-term loan of £451,500 (2018: £451,500).
▲ The amount owed by Pacific Logistics Limited includes an interest free long-term loan of £1,617 (2018: £1,617).

The above companies are related as follows:

The ultimate parent 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 Limited, Hong Kong, PDS Far-East Limited, Hong Kong and Clover Collections Limited, Hong Kong are wholly owned subsidiaries of Norwest Industries Limited, Hong Kong.

Multinational Textiles Group Limited, Mauritius owns 100% share in Poeticgem International Limited, Hong Kong, 100% share in PDS Ventures Limited, 100% share in Casa Forma Limited, 51% share in Grupo Sourcing Limited, Hong Kong, 51% share in PG Group Limited, Hong Kong and 60% share in PDS Asia Star Corporation Limited, Hong Kong.

Global Textile Group Limited, Mauritius owns 85% share in Design Arc UK Limited and 60% in Poetic Brands Limited.

23 Related party transactions **(Continued)**

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, 57.5% share in JJ Star Industries, Hong Kong 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, 51% share in Kleider Sourcing Hong Kong Limited, Hong Kong, 100% share in 360 Notch Limited, Hong Kong and 60% share in Fareast Vogue Limited.

Norwest Industries Limited, Hong Kong, Zamira Fashion Limited, Hong Kong, 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 (Bangladesh) Limited, Bangladesh, Techno Design HK Limited, Hong Kong and Simple Approach Limited, Hong Kong are subsidiaries of Multinational Textiles Group Limited, Mauritius which is a wholly owned subsidiary of PDS Multinational Fashions Limited, India.

Parc Designs Private Limited is a subsidiary of PDS Multinational Fashions Limited.

Loans and advances to key management of the company and their close family members:

	£
At the start of the year	(33,253)
Amount advanced during the period	1,211,520
Amounts repaid during the period	(1,245,000)
At the end of the year	(66,732)

24 Cash generated from operations

	2019	2018
	£	£
Profit for the year after tax	269,634	186,647
Adjustments for:		
Taxation charged	4,439	-
Finance costs	204	11,705
Investment income	(1,404)	(10,163)
Depreciation and impairment of property, plant and equipment	203,378	175,696
Impairment of investment properties	24,420	24,432
Movements in working capital:		
Decrease/(increase) in inventories	72,565	(108,251)
Increase in trade and other receivables	(1,738,454)	(320,765)
Increase/(decrease) in trade and other payables	1,592,313	(24,697)
Cash generated from/(absorbed by) operations	427,095	(65,396)

POETICGEM LIMITED

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 MARCH 2019

POETICGEM LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2019

		2019		2018
	£	£	£	£
Revenue				
Sales		7,830,850		5,903,512
Commission receivable		8,093,996		8,813,209
		15,924,846		14,716,721
Cost of sales				
Opening stock of finished goods	109,643		1,392	
Finished goods purchases	7,001,527		5,336,434	
Direct costs	205,480		99,338	
Designing expenses	21,468		26,163	
Testing charges	3,929		1,563	
Closing stock of finished goods	(37,078)		(109,643)	
		(7,304,969)		(5,355,247)
Gross profit		8,619,877		9,361,474
Other operating income				
Rent receivable	124,748		124,748	
Sundry income	258,700		259,000	
Exchange (gain)/loss	270,859		(783,008)	
		654,307		(399,260)
Distribution costs	1,829,170		1,479,193	
Administrative expenses	7,172,141		7,294,832	
		(9,001,311)		(8,774,025)
Operating profit		272,873		188,189
Investment revenues				
Bank interest received		1,404		10,163
Finance costs				
Bank interest on loans and overdrafts	307		2,706	
Non bank interest on loans	(103)		8,999	
		(204)		(11,705)
Profit before taxation		274,073		186,647

POETICGEM LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MARCH 2019

	2019	2018
	£	£
Distribution costs		
Motor running expenses	866,677	750,827
Agents commission	162,162	95,156
Advertising	3,928	5,162
Samples	652,868	533,342
Entertaining	143,535	94,706
	1,829,170	1,479,193
Administrative expenses		
Wages and salaries	4,506,496	4,447,752
Social security costs	543,010	536,130
Staff recruitment costs	101,691	148,160
Staff welfare	36,444	34,379
Staff pension costs defined contribution	47,571	-
Directors' remuneration	100,000	100,000
Management charge	-	180,000
Rent re operating leases	215,608	206,177
Rates	104,074	81,922
Cleaning	4,257	3,833
Power, light and heat	25,995	4,871
Repairs and maintenance	9,157	9,663
Insurance	72,060	71,475
Computer running costs	97,165	94,162
Leasing - motor vehicles	73,966	77,870
Legal and professional fees	45,290	62,120
Consultancy fees	144,851	234,205
Non audit remuneration paid to auditors	33,211	34,339
Audit fees	25,342	25,470
Charitable donations	750	138,951
Bank charges	65,602	37,616
Printing and stationery	372,486	264,188
Telecommunications	90,508	94,133
Sundry expenses	194,388	190,942
Depreciation	227,798	200,128
Factoring charges	34,421	16,346
	7,172,141	7,294,832

POETICGEM INTERNATIONAL LIMITED

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

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, 2019.

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 other comprehensive income on page 7.

The directors do not recommend the payment of any dividend for the year.

SHARE CAPITAL

Details of share capital of the Company are set out in Note (16) to the financial statements. There were no movements during the year.

PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (10) 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 (20) 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.

POETICGEM INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS (CONT'D)

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

A permit indemnity provision for the benefit 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 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 28, 2019.

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
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 36, which comprise the statement of financial position as at March 31, 2019, 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, 2019, 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 (2b) 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 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 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 (CONT'D)
TO THE MEMBERS OF
POETICGEM INTERNATIONAL LIMITED
(incorporated in Hong Kong with limited liability)

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 K.M. LAI FCCA CPA (PRACTISING) 黎 劍 民 會 計 師
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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
POETICGEM INTERNATIONAL LIMITED
(incorporated in Hong Kong with limited liability)

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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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
POETICGEM INTERNATIONAL 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, May 28, 2019.

POETICGEM INTERNATIONAL LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
REVENUE	(5)	530,234,916	492,913,983
COST OF SALES		(443,794,211)	(405,453,790)
GROSS PROFIT		86,440,705	87,460,193
OTHER INCOME AND GAIN	(5)	8,091,469	406,252
STAFF COSTS		(15,064,129)	(11,895,496)
DEPRECIATION EXPENSES		(595,790)	(419,805)
OTHER OPERATING EXPENSES		(73,341,510)	(77,345,006)
PROFIT/(LOSS) FROM OPERATION	(6)	5,530,745	(1,793,862)
FINANCE COSTS	(7)	(1,631,005)	(2,266,253)
PROFIT/(LOSS) BEFORE TAXATION		3,899,740	(4,060,115)
TAXATION	(9)	-	-
PROFIT/(LOSS) FOR THE YEAR		3,899,740	(4,060,115)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		3,899,740	(4,060,115)

THE NOTES ON PAGES 11 TO 36 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

POETICGEM INTERNATIONAL LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

		2019	2018
		HK$	HK$
Non-Current Assets			
Plant and equipment	(10)	2,912,241	1,525,055
Current Assets			
Trade and other receivables	(12)	132,518,673	116,583,558
Deposits and prepayment		717,845	301,676
Amount due from a shareholder		44,082	44,082
Amounts due from fellow subsidiaries	(11)	78,215,050	28,633,428
Cash and cash equivalents		7,902,411	1,326,145
		219,398,061	146,888,889
Current Liabilities			
Trade and other payables	(13)	91,661,024	64,759,176
Amounts due to fellow subsidiaries	(14)	51,612,615	51,988,947
Amount due to immediate holding company	(14)	195,333	571,145
Secured bank borrowings	(15)	80,419,522	36,572,608
		223,888,494	153,891,876
Net Current Liabilities		(4,490,433)	(7,002,987)
NET LIABILITIES		(1,578,192)	(5,477,932)
DEFICIT			
Share capital	(16)	337,107	337,107
Accumulated losses		(1,915,299)	(5,815,039)
TOTAL DEFICIT		(1,578,192)	(5,477,932)

APPROVED BY THE BOARD OF DIRECTORS ON MAY 28, 2019 AND SIGNED ON BEHALF OF THE BOARD BY:

Pallak SETH	Deepak Kumar SETH
Director	Director

THE NOTES ON PAGES 11 TO 36 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

POETICGEM INTERNATIONAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2019

	Share capital	Accumulated losses	Total
	HK$	HK$	HK$
At April 1, 2017	337,107	(1,754,924)	(1,417,817)
Loss for the year and total comprehensive loss for the year	-	(4,060,115)	(4,060,115)
At March 31, 2018 and April 1, 2018	337,107	(5,815,039)	(5,477,932)
Profit for the year and total comprehensive income for the year	-	3,899,740	3,899,740
At March 31, 2019	337,107	(1,915,299)	(1,578,192)

THE NOTES ON PAGES 11 TO 36 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

POETICGEM INTERNATIONAL LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
	HK$	HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	3,899,740	(4,060,115)
Adjustment for:		
Bank interest income	(297)	(41)
Bank interest expenses	1,631,005	
Depreciation	595,790	419,805
OPERATING PROFIT /(LOSS) BEFORE WORKING CAPITAL CHANGES	6,126,238	(3,640,351)
Increase in deposits and prepayment	(416,169)	(14,091)
Increase in amount due from a shareholder	-	(44,082)
Increase in amounts due from fellow subsidiaries	(49,581,622)	(24,134,158)
Increase in trade and other receivables	(15,935,115)	(20,931,831)
(Decrease)/Increase in amounts due to fellow subsidiaries	(376,332)	13,168,312
(Decrease)/Increase in amount due to immediate holding company	(375,812)	75,559
Increase in trade and other payables	26,901,848	2,869,939
CASH USED IN OPERATIONS	(33,656,964)	(32,650,703)
Bank interest income	297	41
Bank interest paid	(1,631,005)	-
Net cash used in from operating activities	(35,287,672)	(32,650,662)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire plant and equipment and net cash used in investing activities	(1,982,976)	(1,117,357)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	259,307
Net proceeds from secured bank borrowings	43,846,914	31,513,817
Net cash generated from financing activities	43,846,914	31,773,124
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,576,266	(1,994,895)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,326,145	3,321,040
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	7,902,411	1,326,145

THE NOTES ON PAGES 11 TO 36 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 ultimate holding company and immediate holding company are PDS Multinational Fashions Limited and Multinational Textile Group Limited respectively. 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 financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 (4) to the financial statements.

b. Going Concern

The immediate holding company has 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)

c. Changes in Accounting Policies and Disclosures

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Company. Of these, the following developments are relevant to the Company's financial statements:

(i) HKFRS 9, Financial instruments;
(ii) HKFRS 15, Revenue from contracts with customers;

None of these developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented.

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Company has applied HKFRS 9 retrospectively to items that existed at January 1, 2018 in accordance with the transition requirements and there is no material effect of Company's financial results and financial position.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

A. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-tomaturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For an explanation of how the Company classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes (2f) and (2g).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at January 1, 2018 have not been impacted by the initial application of HKFRS 9.

The Company did not designate or de-designate any financial asset at FVOCI or FVPL or financial liability at FVPL at January 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)

B. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at April 1, 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at April 1, 2018 (the date of initial application of HKFRS 9 by the company):
  - the determination of the business model within which a financial asset is held; and
  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts. .

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at January 1, 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Company has applied the new requirements only to contracts that were not completed before January 1, 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

A. Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Company recognises revenue from sales of goods.

B. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Company only applied such a policy when payments were significantly deferred, which was not common in the Company's arrangements with its customers. The Company did not apply such a policy when payments were received in advance.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

C. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Company has an unconditional right to consideration. If the Company recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Company recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The adoption of HKFRS15 does not have a significant impact on the presentation of Company's contract assets and liabilities.

d. Impairment of Non-Financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current 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 other than goodwill 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, (only if there are revalued assets in the consolidated financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

e. Plant and Equipment

An item of plant and equipment is stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of 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 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 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 a straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life, as follows:

Leasehold building	4 years
Computer equipment	4 years
Furniture and fixture	4 years
Office equipment	3 years
Leasehold improvement	4 years

An item of plant and equipment and 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 arising on derecognition 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 or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

g. Financial Assets

The Company's financial assets are only classified under *Financial assets carried at amortised cost* category, including trade and other receivables, deposits, amount due from a shareholder and fellow subsidiaries and cash and cash equivalents.

Financial assets carried at amortised cost

(i) Initial recognition and measurement

All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

(ii) Subsequent measurement

At the end of each reporting period subsequent to initial recognition, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method, less 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 amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised 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 risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all of 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. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

g. Financial Assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

(iv) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a Company of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset (an incurred 'loss event'), has 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 the debtors 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.

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 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 Company 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 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 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 and all collateral has been realised or has been transferred to the Company. 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 write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial liabilities

Financial liabilities carried at amortised cost

The Company's financial liabilities are classified under *Financial liabilities carried at amortised cost*, including trade and other payables, and amounts due to fellow subsidiaries and immediate holding company.

(i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

(ii) Subsequent measurement

After initial recognition, financial liabilities carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method. 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 as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

(iii) 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.

i. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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, to realise the assets and settle the liabilities simultaneously.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

j. Contract Assets and Contract Liabilities

A contract asset is recognised when the Company recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional.

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

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

k. Trade and Other Receivables

A receivable is recognised when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less impairment losses.

l. 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.

m. Trade and Other Payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

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 other comprehensive income.

o. 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 asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee
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.

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 or loss.

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.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

p. 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 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 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. No deferred tax asset has been recognised on the unused tax losses due to the infeasibility to predict the availability of future taxable profit for offsetting such deductible timing differences.

Deferred tax, if material, is charged or credited in the statement of profit or loss and other comprehensive income.

q. 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 financial statements.

r. Retirement Benefit Costs

The Company's contributions to the mandatory provident fund scheme are charged to the statement of profit or loss as incurred.

The Company's employees who have completed the required number of years of service to the Company are eligible for long service payments in the event of the termination of their employment.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Company to the end of reporting period.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

   s. 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.

   No provision on employees' entitlements to unconsumed annual leaves as of the end of reporting period is provided in the financial statement 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.

   t. Revenue Recognition

   Income is classified by the company as revenue when it arises from the sale of goods in the ordinary course of the Company's business.

   Revenue is recognised when control over a product is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amount collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

   Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Company, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Company takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

   Further details of the Company's revenue and other income recognition policies are as follows:

   - Revenue from sales of goods is recognised when the customers take possession of and accept the products.
   - 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)

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).
(viii) The entity, or any member of a Company of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. 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 manages its capital structure and makes adjustments to it in light of changes in economic conditions. 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. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected 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 consolidated 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.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

5. REVENUE, OTHER INOME AND GAIN

	2019	2018
Revenue, other income and gain recognised during the year are as follows:	HK$	HK$
Revenue:		
Sales of goods	530,234,916	492,913,983
Other income and gain:		
Bank interest income	297	41
Claim and recovery	7,836,024	120,926
Exchange gain, net	255,148	285,285
	8,091,469	406,252
Total revenue recognised	538,326,385	493,320,235

6. PROFIT /(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is stated after charging/(crediting):

Auditors' remuneration	37,373	48,683
Depreciation	595,790	419,805
Exchange gain, net	(255,148)	(285,285)
Rental payment under operating leases	956,148	786,785
Staff costs:		
- Staff salaries	14,167,914	10,632,943
- Staff welfare	896,215	1,262,553

7. FINANCE COSTS

Bank overdraft interest	1,631,005	2,266,253

8. DIRECTORS' REMUNERATION

No fees or other emoluments were paid or payable to the directors 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. PLANT AND EQUIPMENT

	Computer equipment	Furniture & Fixture	Leasehold improvement	Office equipment	Leasehold Building	Total
	HKD	HKD	HKD	HKD	HKD	HKD
Cost						
At 1/4/2017	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
Additions	530,425	964,383	-	467,221	20,947	1,982,976
At 31/3/2019	1,313,163	1,249,225	670,417	1,004,682	20,947	4,258,434
Accumulated Depreciation						
At 1/4/2017	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
Charge for the year	185,505	90,541	161,583	157,578	583	595,790
At 31/3/2019	327,459	197,020	494,472	326,659	583	1,346,193
Net Carrying Amount						
At 31/3/2019	985,704	1,052,205	175,945	678,023	20,364	2,912,241
At 31/3/2018	640,784	178,363	337,528	368,380	-	1,525,055

11. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

Amounts due from fellow subsidiaries 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 (Cap. 622) are as follows:

	Outstanding principal		
Name of borrower	At beginning of year	At end of year	Maximum outstanding
	HK$	HK$	HK$
PDS Asia Star Corporation Ltd. (1)	290,532	-	290,532
Techno Design HK Limited (1)	2,358,977	2,338,681	2,358,977
Poetic Brands UK Limited (1)	1,649,003	1,082,848	1,649,003
Nor Europe Manufacturing Limited (1)	1,799,830	-	1,799,830
Blueprint Design Limited (1)	243,129	3,015,847	3,015,847
Norwest Industries Limited (1)	22,265,020	58,709,493	58,709,493
Clover Collections Limited (1)	26,938	3,376,951	3,376,951
PT Pinnacle Apparels(1)	-	7,780	7,780
360 Notch Limited(1)	-	40,414	40,414
Design Arc Asia Limited(1)	-	7,843,205	7,843,205
Design Arc Europe Limited(1)	-	1,799,831	1,799,831
	28,633,429	78,215,050	

Principal terms: The loans, quasi-loans and credit transactions are interest free, unsecured and have no fixed repayment terms.

(1) Connected with Pallak SETH and Deepak Kumar SETH

POETICGEM INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$	HK$
Trade receivables (Note)	131,773,310	113,899,110
Other receivable	148,617	79,820
Advance to vendors	596,746	2,604,628
	132,518,673	116,583,558

Note: Aging analysis of trade receivables is as follows:

	2019	2018
Neither past due nor impaired	131,773,310	113,899,110

Trade receivables are due within 90 days from date of billing.

13. TRADE AND OTHER PAYABLES

	2019	2018
	HK$	HK$
Trade payables (Note)	89,990,045	63,547,889
Accrued expenses	95,472	24,240
Other payables	1,575,508	1,187,047
	91,661,024	64,759,176

Note: Maturity of the trade payables is as follows:

	2019	2018
Due for payment:		
Not later tha one year	89,990,045	63,547,889

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.

15. SECURED BANK BORROWINGS

The carrying amount of the secured bank borrowings at the end of reporting period is analyzed as follows:

	2019	2018
	HK$	HK$
Clean import loans	14,979,726	26,934,306
Trust receipt loans	65,439,796	9,638,302
	80,419,522	36,572,608

16. SHARE CAPITAL

	2019		2018	
	No. of shares	Amount	No. of shares	Amount
		HK$		HK$
Ordinary shares, issued and fully paid:				
At March 31	10,100	337,107	10,000	337,107

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. 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:

	2019	2018
	HK$	HK$
Within one year	1,488,108	1,150,593
In the second to fifth years inclusive	4,896,766	2,023,504
	6,384,874	3,174,097

18. CONTINGENT LIABILITIES

(a) The Company had the following contingent liabilities not provided for in the financial statements at the end of reporting period:

	2019	2018
	HK$	HK$
Irrecoverable letters of credit	45,377,507	27,122,238

(b) At the end of reporting period, there were mutual guarantees between the Company and its fellow subsidiary.

19. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Company's principal financial instrument comprises cash and cash equivalents and secured bank borrowings. The main purpose of the financial instrument is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Company operates internationally and is primarily exposed to foreign exchange risk arising from currency exposures of the United States dollars, with respect to the Hong Kong dollar. The Company will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

POETICGEM INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

(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 related.

		2019 (Expressed in HK$)		
	USD	EUR	GBP	
Trade and other receivables	131,773,310	-	-	
Cash and cash equivalents	4,861,054	116,661	587,930	2,3
Trade and other payables	(89,990,045)	-	-	
Net exposure arising from recognised assets and liabilities	46,644,319	116,661	587,930	2,3

		2018 (Expressed in HK$)		
	USD	EUR	GBP	
Trade and other receivables	113,460,318	-	-	
Cash and cash equivalents	475,974	703,454	138,414	
Trade and other payables	(63,469,501)	-	-	(1
Net exposure arising from recognised assets and liabilities	50,466,791	703,454	138,414	(

19. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Foreign 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.

	2019		2018	
	Increase	Decrease	Increase	Decrease
	HK$	HK$	HK$	HK$
Euro Dollars (EURO)	9,741	(9,741)	58,738	(58,738)
British Pound (GBP)	49,092	(49,092)	11,558	(11,558)
Bangladeshi Taka (BDT)	199,740	(199,740)	(2,355)	2,355
	258,573	(258,573)	67,941	(67,941)

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 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 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 2018.

Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any financial institution.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

19. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Interest rate risk

The Company has no significant interest bearing assets except secured bank borrowings. Its expenses and operating cash flows are substantially independent of changes in market interest rates. Carrying amounts of financial liabilities as at March 31 that exposed to interest rate risks were as follows:

	2019	2018
	HK$	HK$
Clean import loans	14,979,726	26,934,306
Trust receipt loans	65,439,796	9,638,302
	80,419,522	36,572,608

Sensitivity analysis

At March 31, 2019, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, interest expenses and profit before taxation for the year ended March 31, 2019 would increase/decrease by a net amount of HK$65 (2018: HK$32). The carrying amount of financial asset/liability measured at amortized cost and the carrying amount of financial asset/liability bearing interest rate measured at fair value would not be affected by the assumed 100 basis points increase/decrease in interest rate.

Although a financial asset or financial liability may be subject to interest rate risk, its carrying amount may not necessarily be affected by the assumed 100 basis points increase in market interest rates.

POETICGEM INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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	2019	2018
			HK$	HK$
Poeticgem Ltd. UK	Fellow subsidiary	- Marketing fee	-	44,423,250
		- Recharge income	1,455,153	171,301
		- Recharge expenses	1,268,185	-
		- Commission paid	17,912,068	-
Norwest Industries Ltd. Hong Kong	Fellow subsidiary	- Marketing fee	-	281,504
		- Recharge income	2,041,285	570,696
		- Recharge expenses	1,041,480	-
Techno Design HK Limited Hong Kong	Fellow subsidiary	- Recharge income	-	132,289
Poetic brans UK Limited	Fellow subsidiary	- Marketing fee	-	42,048,133
		- Recharge income	2,210	133,332
Global Textiles Group Ltd. Mauritius	Fellow subsidiary	- Consultancy fees	1,268,902	1,676,473
Grupo Sourcing Limitd Hong Kong	Fellow subsidiary	- Purchases	-	1,074,526
Zamira Fashion Limited Hong Kong	Fellow subsidiary	- Marketing fee	-	4,462,525
		- Recharge income	-	6,991,225
		- Recharge expenses	39,832	-
Norlanka Manufacturing Ltd. Hong Kong	Fellow subsidiary	- Purchases	-	545,858
360 Notch Limited Hong Kong	Fellow subsidiary	- Recharge income	871	-
Clover Collections Limited Hong Kong	Fellow subsidiary	- Recharge income	1,232,184	-
Blueprint Design Limited Hong Kong	Fellow subsidiary	- Recharge income	1,510,100	-
Multinational Textile Group Ltd. Mauritius	Immediate holding company	- Consultancy fee	-	454,445
		- Computer expenses	-	233,400
		- Management expenses	264,917	-
PDS Multinational Fashions Limited	Fellow subsidiary	- Management expenses	229,876	-
Design Arc Asia Limited Hong Kong	Fellow subsidiary	- Commission income	7,843,205	-

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. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended March 31, 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	January 1, 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	January 1, 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	January 1, 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	January 1, 2019

The Company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Company's Board of Directors on May 28, 2019.

Company Registration No. 6863593 (England and Wales)

POETIC KNITWEAR LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

UHY Hacker Young
Chartered Accountants

COMPANY INFORMATION

Directors	Mr P Seth Mr D Seth
Secretary	Mr K Kanodia
Company number	6863593
Registered office	Quadrant House - Floor 6 4 Thomas More Square London E1W 1YW
Auditor	UHY Hacker Young Quadrant House - Floor 6 4 Thomas More Square London E1W 1YW

CONTENTS

POETIC KNITWEAR LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Results and dividends
The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr P Seth
Mr D 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

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

On behalf of the board

....
Mr P Seth
Director
Date: 14 June 2019

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF POETIC KNITWEAR LIMITED

Opinion

We have audited the financial statements of Poetic Knitwear Limited (the 'company') for the year ended 31 March 2019 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF POETIC KNITWEAR LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF POETIC KNITWEAR LIMITED

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.

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.

Vinodkumar Vadgama (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young 14 June 2019

Chartered Accountants
Statutory Auditor

POETIC KNITWEAR LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Administrative expenses		(2,062)	(2,062)
Tax on loss		-	-
Loss and total comprehensive income for the financial year	**6**	(2,062)	(2,062)

The income statement has been prepared on the basis that all operations are continuing operations.

POETIC KNITWEAR LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Current assets			
Cash and cash equivalents		3,321	2,945
Current liabilities			
Trade and other payables	4	706,921	704,483
Net current liabilities		(703,600)	(701,538)
Total assets less current liabilities		(703,600)	(701,538)
Net liabilities		(703,600)	(701,538)
Equity			
Called up share capital	5	100	100
Retained earnings	6	(703,700)	(701,638)
Total equity		(703,600)	(701,538)

The financial statements were approved by the board of directors and authorised for issue on ..14 June 2019.. and are signed on its behalf by:

....

Mr P Seth
Director

Company Registration No. 6863593

POETIC KNITWEAR LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Share capital	Retained earnings	Total
	£	£	£
Balance at 1 April 2017	100	(699,576)	(699,476)
Period ended 31 March 2018:			
Loss and total comprehensive income for the period	-	(2,062)	(2,062)
Balance at 31 March 2018	100	(701,638)	(701,538)
Period ended 31 March 2019:			
Loss and total comprehensive income for the period	-	(2,062)	(2,062)
Balance at 31 March 2019	100	(703,700)	(703,600)

POETIC KNITWEAR LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash generated from operations	11		376		783
Net cash inflow from operating activities			376		783
Net cash used in investing activities			-		-
Net cash used in financing activities			-		-
Net increase in cash and cash equivalents			376		783
Cash and cash equivalents at beginning of year			2,945		2,162
Cash and cash equivalents at end of year			3,321		2,945

1 Accounting policies

Company information

Poetic Knitwear Limited is a private company limited by shares incorporated in England and Wales. The registered office is Quadrant House - Floor 6, 4 Thomas More Square, London, E1W 1YW.

1.1 Accounting convention

The company meets the definition of a qualifying entity under FRS 101, The Financial Reporting Standard applicable in the UK and Republic of Ireland. These financial statements for the year ended 31 March 2019 are the first financial statements of Poetic Knitwear Limited prepared in accordance with FRS 101. The company transitioned from EU-adopted IFRS to FRS 101 for all periods presented and the date of transition to FRS 101 was 1 April 2017.

The reported financial position and financial performance for the previous period are not affected by the transition to FRS 101.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, standards not yet effective and impairment of assets.

Where required, equivalent disclosures are given in the group accounts of PDS Multinational Fashions Limited. The group accounts of PDS Multinational Fashions Limited are available to the public and can be obtained as set out in note 10.

1 Accounting policies **(Continued)**

1.2 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 £703,600 (2018: £701,538).

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.

1.3 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.4 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.5 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2 Operating loss

	2019	**2018**
	£	**£**
Operating loss for the period is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	2,000	2,000

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was 2 (2018: 2)

4 Trade and other payables

	Current 2019 £	2018 £
Amount owed to parent undertaking	704,921	702,483
Accruals	2,000	2,000
	706,921	704,483

5 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
100 Ordinary shares of £1 each	100	100
	100	100

6 Retained earnings

	2019 £	2018 £
At the beginning of the year	(701,638)	(699,576)
Loss for the year	(2,062)	(2,062)
At the end of the year	(703,700)	(701,638)

7 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, compromising cash and cash equivalents. On the basis of expected cash flow, At 31 March 2019, the company held cash and cash equivalents of £3,321 (2018: £2,945)

Foreign Currency risk
The company has not undertaken any transactions denominated in foreign currencies. Hence, the company is not exposed to exchange rate fluctuations.

8 Capital risk management

The company managed 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, compromising of issued capital, reserves and retained earnings.

9 Related party transactions

During the year £2,438 (2018: £2,438) of expenses were paid by Poeticgem Limited, resulting in the amounts due to related parties increasing to £704,921 (2018: 702,483).

Poetic Knitwear Limited is a wholly owned subsidiary of Poeticgem Limited, and the above balances mentioned are repayable on demand.

10 Controlling party

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 # 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.

11 Cash generated from operations

	2019	2018
	£	£
Loss for the year after tax	(2,062)	(2,062)
Movements in working capital:		
(Increase)/decrease in trade and other receivables	-	406
Increase in trade and other payables	2,438	2,439
Cash generated from operations	376	783

POETIC KNITWEAR LIMITED

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 MARCH 2019

POETIC KNITWEAR LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2019

		Year ended 31 March 2019		Year ended 31 March 2018
	£	£	£	£
Administrative expenses		(2,062)		(2,062)
Operating loss		(2,062)		(2,062)

POETIC KNITWEAR LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MARCH 2019

	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Administrative expenses		
Audit fees	2,000	2,000
Bank charges	30	30
Sundry expenses	32	32
	2,062	2,062

Company Registration No. 04944346 (England and Wales)

PACIFIC LOGISTICS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

UHY Hacker Young
Chartered Accountants

PACIFIC LOGISTICS LIMITED

COMPANY INFORMATION

Directors	Mrs P Seth Mr A Banaik
Secretary	Mr K Kanodia
Company number	04944346
Registered office	Quadrant House - Floor 6 4 Thomas More Square London E1W 1YW
Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW

PACIFIC LOGISTICS LIMITED

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the year ended 31 March 2019.

Results and dividends
The results for the year are set out on page 6.

The directors do not recommend the payment of a dividend for the year.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mrs P Seth
Mr A Banaik

Auditor
The auditor, UHY Hacker Young, is 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

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

On behalf of the board

....
Mr A Banaik
Director
Date: 29 MAY 2019

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PACIFIC LOGISTICS LIMITED

Opinion

We have audited the financial statements of Pacific Logistics Limited (the 'company') for the year ended 31 March 2019 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF PACIFIC LOGISTICS LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF PACIFIC LOGISTICS LIMITED

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.

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.

Vinodkumar Vadgama (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young 29 May 2019

Chartered Accountants
Statutory Auditor

PACIFIC LOGISTICS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	Year ended 31 March 2019 £	Yar ended 31 March 2018 £
Administrative expenses		(5,097)	(7,169)
Tax on loss		-	-
Loss and total comprehensive income for the financial year	7	(5,097)	(7,169)

The income statement has been prepared on the basis that all operations are continuing operations.

PACIFIC LOGISTICS LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	2019 £	2018 £
Current assets			
Cash and cash equivalents		3,173	2,217
Current liabilities			
Trade and other payables	5	386,486	380,433
Net current liabilities		(383,313)	(378,216)
Total assets less current liabilities		(383,313)	(378,216)
Non-current liabilities			
Borrowings	4	1,617	1,617
Net liabilities		(384,930)	(379,833)
Equity			
Called up share capital	6	10,000	10,000
Retained earnings	7	(394,930)	(389,833)
Total equity		(384,930)	(379,833)

The financial statements were approved by the board of directors and authorised for issue on 29.MAY.2019 and are signed on its behalf by:

A Banaik

Mr A Banaik
Director

Company Registration No. 04944346

PACIFIC LOGISTICS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Share capital	Retained earnings	Total
	£	£	£
Balance at 1 April 2017	10,000	(382,664)	(372,664)
Period ended 31 March 2018:			
Loss and total comprehensive income for the period	-	(7,169)	(7,169)
Balance at 31 March 2018	10,000	(389,833)	(379,833)
Period ended 31 March 2019:			
Loss and total comprehensive income for the period	-	(5,097)	(5,097)
Balance at 31 March 2019	10,000	(394,930)	(384,930)

PACIFIC LOGISTICS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	12		956		(714)
Net cash inflow/(outflow) from operating activities			956		(714)
Net cash used in investing activities			-		-
Net cash used in financing activities			-		-
Net increase/(decrease) in cash and cash equivalents			956		(714)
Cash and cash equivalents at beginning of year			2,217		2,931
Cash and cash equivalents at end of year			3,173		2,217

1 Accounting policies

Company information

Pacific Logistics Limited is a private company limited by shares incorporated in England and Wales. The registered office is Quadrant House - Floor 6, 4 Thomas More Square, London, E1W 1YW.

1.1 Accounting convention

The company meets the definition of a qualifying entity under FRS 101, The Financial Reporting Standard applicable in the UK and Republic of Ireland. These financial statements for the year ended 31 March 2019 are the first financial statements of Pacific Logistics Limited prepared in accordance with FRS 101. The company transitioned from EU-adopted IFRS to FRS 101 for all periods presented and the date of transition to FRS 101 was 1 April 2017.

The reported financial position and financial performance for the previous period are not affected by the transition to FRS 101.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, standards not yet effective and impairment of assets.

Where required, equivalent disclosures are given in the group accounts of PDS Multinational Fashions Limited. The group accounts of PDS Multinational Fashions Limited are available to the public and can be obtained as set out in note 11.

1 Accounting policies **(Continued)**

1.2 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 £383,313 (2018:£378,216).

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.

1.3 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1.4 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.5 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company’s obligations are discharged, cancelled, or they expire.

1.6 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2 Operating loss

	2019	2018
	£	£
Operating loss for the period is stated after charging/(crediting):		
Fees payable to the company's auditor for the audit of the company's financial statements	5,045	7,045

3 Employees

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

	2019	2018
	Number	Number
Management	2	2

4 Borrowings

	2019	2018
	£	£
Unsecured borrowings at amortised cost		
Loans from parent undertaking	1,617	1,617

Analysis of borrowings
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.

	2019	2018
	£	£
Non-current liabilities	1,617	1,617

5 Trade and other payables

	Current 2019	2018
	£	£
Amount owed to parent undertaking	381,486	375,433
Accruals	5,000	5,000
	386,486	380,433

6 Share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
10,000 Ordinary Shares of £1 each	10,000	10,000
	10,000	10,000

7 Retained earnings

	2019	2018
	£	£
At the beginning of the year	(389,833)	(382,664)
Loss for the year	(5,097)	(7,169)
At the end of the year	(394,930)	(389,833)

8 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.

9 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 2019, the company held cash and cash equivalents of £3,173 (2018: £2,217).

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.

10 Related party transactions

During the year, the company entered into the following transactions with related parties:

	Amounts owed to related parties	
	2019	2018
	£	£
Poeticgem Limited, UK	383,103*	377,049*

The immediate parent company of Pacific Logistics Limited is Poeticgem Limited.

*The above loan includes a long term loan of £1,617, is interest free and repayable on demand.

No guarantees have been given or received.

11 Controlling party

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.

12 Cash generated from operations

	2019	2018
	£	£
Loss for the year after tax	(5,097)	(7,169)
Movements in working capital:		
Increase in trade and other payables	6,053	6,455
Cash generated from/(absorbed by) operations	956	(714)

PACIFIC LOGISTICS LIMITED

MANAGEMENT INFORMATION

FOR THE YEAR ENDED 31 MARCH 2019

PACIFIC LOGISTICS LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2019

		Year ended 31 March 2019		Yar ended 31 March 2018
	£	£	£	£
Administrative expenses		(5,097)		(7,169)
Operating loss		(5,097)		(7,169)

PACIFIC LOGISTICS LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MARCH 2019

	Year ended 31 March 2019 £	Yar ended 31 March 2018 £
Administrative expenses		
Audit fees	5,045	7,045
Bank charges	52	124
	5,097	7,169

PROGRESS MANUFACTURING GROUP LIMITED

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

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 audited financial statements of the Company for the year ended March 31, 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company is garment trading. The principal activity and other particulars of the subsidiary are set out in the Note (10) 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 other comprehensive income on page 7.

The directors do not recommend the payment of any dividend for the year.

SHARE CAPITAL

Details of share capital of the Company are set out in Note (15) to the financial statements.

DIRECTORS

The directors of the Company during the year 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 (19) 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

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 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 28, 2019.

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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香港九龍尖沙咀
柯士甸道140至142號
瑞信集團大廈九樓

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 34 which comprise the statement of financial position as at March 31, 2019, 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, 2019, 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.

Key Audit Matter

We have determined that there are no key audit matters to communicate in our report.

Fundamental Uncertainty Relating to the Going Concern Basis

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2c) 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 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

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 (CONT'D)
TO THE MEMBERS OF
PROGRESS MANUFACTURING GROUP LIMITED
(incorporated in Hong Kong with limited liability)

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 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 (CONT'D)
TO THE MEMBERS OF
PROGRESS MANUFACTURING GROUP LIMITED
(incorporated in Hong Kong with limited liability)

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 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

INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
PROGRESS MANUFACTURING GROUP 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, May 28, 2019.

PROGRESS MANUFACTURING GROUP LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
REVENUE	(5)	138,386,244	30,771,876
COST OF SALES		(133,867,908)	(30,122,573)
GROSS PROFIT		4,518,336	649,303
OTHER INCOME	(5)	58,385	2
STAFF COSTS		(383,780)	(989,168)
OTHER OPERATING EXPENSES		(15,476,781)	(8,256,329)
LOSS FROM OPERATION		(11,283,840)	(8,596,192)
FINANCE COSTS	(6)	(1,651,240)	(828,336)
LOSS BEFORE TAXATION	(7)	(12,935,080)	(9,424,528)
TAXATION	(9)	-	-
LOSS FOR THE YEAR		(12,935,080)	(9,424,528)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(12,935,080)	(9,424,528)

THE NOTES ON PAGES 11 TO 34 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

PROGRESS MANUFACTURING GROUP LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

		2019	2018
		HK$	HK$
Non-Current Assets			
Interest in a subsidiary	(10)	133,433,052	93,844,046
Current Assets			
Trade receivables	(11)	46,578,435	20,479,665
Prepayment		2,534,485	6,298,237
Amounts due from fellow subsidiaries	(12)	-	432,797
Cash and cash equivalents		2,054,762	831,072
		51,167,682	28,041,771
Current Liabilities			
Accrual and other payables		1,325,334	9,020,648
Amount due to immediate holding company	(13)	2,710,762	1,532,816
Amounts due to fellow subsidiaries	(13)	169,113,140	104,345,300
Secured bank borrowings	(14)	38,340,694	20,941,177
		211,489,930	135,839,941
Net Current Liabilities		(160,322,248)	(107,798,170)
NET LIABILITIES		(26,889,196)	(13,954,124)
DEFICIT			
Share capital	(15)	77,808	77,800
Accumulated losses		(26,967,004)	(14,031,924)
TOTAL DEFICIT		(26,889,196)	(13,954,124)

APPROVED BY THE BOARD OF DIRECTORS ON MAY 28, 2019 AND SIGNED ON BEHALF OF THE BOARD BY:

Pallak SETH
Director

Deepak Kumar SETH
Director

THE NOTES ON PAGES 11 TO 34 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

PROGRESS MANUFACTURING GROUP LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2019

	Share capital	Accumulated losses	Total
	HK$	HK$	HK$
At 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 and April 1, 2018	77,800	(14,031,924)	(13,954,124)
Allotment of shares	8	-	8
Loss for the year and total comprehensive loss for the year	-	(12,935,080)	(12,935,080)
At March 31, 2019	77,808	(26,967,004)	(26,889,196)

THE NOTES ON PAGES 11 TO 34 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

PROGRESS MANUFACTURING GROUP LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
	HK$	HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(12,935,080)	(9,424,528)
Adjustments for:		
Bank interest expenses	1,651,240	828,336
Bank interest income	(715)	(2)
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	(11,284,555)	(8,596,194)
Increase in trade receivables	(26,098,770)	(20,479,665)
Decrease/(Increase) in prepayment	3,763,752	(5,856,061)
Decrease/(Increase) in amounts due from fellow subsidiaries	432,797	(79,214,923)
(Decrease)/Increase in accrual and other payables	(7,695,314)	6,631,315
Increase in amount due to immediate holding company	1,177,946	743,146
Increase in amounts due to fellow subsidiaries	64,767,840	99,868,682
CASH GENERATED FROM/(USED IN) OPERATIONS	25,063,696	(6,903,700)
Bank interest paid	(1,651,240)	(828,336)
Bank interest received	715	2
Net cash generated from/(used in) operating activities	23,413,171	(7,732,034)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquistion of a subsidiary	-	(397,342)
Net payment to a subsidiary	(39,589,006)	-
Net cash used in investing activities	(39,589,006)	(397,342)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from secured bank borrowings	17,399,517	8,493,177
Allotment of shares	8	-
Net cash generated from financing activities	17,399,525	8,493,177
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,223,690	363,801
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	831,072	467,271
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,054,762	831,072

THE NOTES ON PAGES 11 TO 34 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

1. GENERAL

Progress Manufacturing Group Limited is a company in Hong Kong with limited liability. The principal activity of the Company 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 ultimate holding company and immediate holding company are PDS Multinational Fashions Limited and Multinational Textile Group Limited respectively. 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. Statement of Compliance and Basis of Preparation

For the purposes of compliance with sections 379 and 380 of the Hong Kong Companies Ordinance (Cap. 622), 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, a term which collectively includes 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 (Cap. 622) 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 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 (Cap. 622), 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 is concerned. As a consequence, the financial statements do not give all the information required by HKFRS 10 about the economic activities of the group of which the company is the parent. Furthermore, as these financial statements are prepared in respect of the company only, HKFRS 12, Disclosures 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$"), 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 (4) to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Company, of which the following developments are relevant to the Company's financial statements:

(i) HKFRS 9, Financial instruments
(ii) HKFRS 15, Revenue from contracts with customers

None of these developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented.

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Company has applied HKFRS 9 retrospectively to items that existed at April 1, 2018 in accordance with the transition requirements and there is no material effect of Company's financial results and financial position.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

A. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-tomaturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For an explanation of how the Company classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes (2g) and (2h).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at April 1, 2018 have not been impacted by the initial application of HKFRS 9.

The Company did not designate or de-designate any financial asset at FVOCI or FVPL or financial liability at FVPL at April 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)

B. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at April 1, 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at April 1, 2018 (the date of initial application of HKFRS 9 by the company):
  - the determination of the business model within which a financial asset is held; and
  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at April 1, 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Company has applied the new requirements only to contracts that were not completed before April 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

A. Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:
- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Company recognises revenue from sales of goods.

B. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Company only applied such a policy when payments were significantly deferred, which was not common in the Company's arrangements with its customers. The Company did not apply such a policy when payments were received in advance.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

C. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Company has an unconditional right to consideration. If the Company recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Company recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The adoption of HKFRS15 does not have a significant impact on the presentation of Company's contract assets and liabilities.

c. Going Concern

The immediate holding company has 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.

d. 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 interest in a subsidiary is stated at cost less provision for impairment losses. The result of subsidiary is accounted by the Company on the basis of dividend received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Impairment of Non-Financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current 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 other than goodwill 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, (only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Assets

The Company's financial assets are only classified under *Financial assets carried at amortised cost* category, including trade receivables, amount due from fellow subsidiaries and cash and cash equivalents.

Financial assets carried at amortised cost

(i) Initial recognition and measurement

All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

(ii) Subsequent measurement

At the end of each reporting period subsequent to initial recognition, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method, less 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 amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised 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 risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all of 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. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

(iv) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a Company 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 the debtors 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.

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 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 Company 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 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 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 and all collateral has been realised or has been transferred to the Company. 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 write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Financial liabilities

Financial liabilities carried at amortised cost

The Company's financial liabilities are classified under *Financial liabilities carried at amortised cost*, including accrual and other payables, amounts due to fellow subsidiaries, amount due to immediate holding company and secured bank borrowings.

(i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

(ii) Subsequent measurement

After initial recognition, financial liabilities carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method. 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 as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

(iii) 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.

j. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

k. Contract Assets and Contract Liabilities

A contract asset is recognised when the Company recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional.

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

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

l. Trade and Other Receivables

A receivable is recognised when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less impairment losses.

m. Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

n. Trade and Other Payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

o. 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 other comprehensive income.

p. 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 asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee
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.

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 or loss.

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.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

q. 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 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 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. No deferred tax asset has been recognised on the unused tax losses due to the infeasibility to predict the availability of future taxable profit for offsetting such deductible timing differences.

Deferred tax, if material, is charged or credited in the statement of profit or loss and other comprehensive income.

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 profit or loss.

No provision on employees' entitlements to unconsumed annual leaves as of the end of reporting period is provided in the financial statement 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

s. Revenue Recognition

Income is classified by the company as revenue when it arises from the sale of goods in the ordinary course of the Company's business.

Revenue is recognised when control over a product is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amount collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Company, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Company takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Company's revenue and other income recognition policies are as follows:

- Revenue from sales of goods is recognised when the customers take possession of and accept the products.
- Interest income from bank deposits is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Sundry income is recognised on a receipts basis.

t. Borrowing Costs

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.

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 Company's policy for borrowing cost as stated in the preceding note.

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).
(viii) The entity, or any member of a Company of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. 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. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected 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 consolidated 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.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

5. REVENUE AND OTHER INCOME

	2019	2018
Revenue and other income recognised during the year are as follows:	HK$	HK$
Revenue:		
Sales of goods	138,386,244	30,771,876
Other income:		
Bank interest income	715	2
Sundry income	57,670	-
	58,385	2
Total revenue recognised	138,444,629	30,771,878

6. FINANCE COSTS

	2019	2018
Interest of secured bank borrowings	1,504,060	760,439
Bank overdraft interest	147,180	67,897
	1,651,240	828,336

7. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

	2019	2018
Auditors' remuneration	21,285	20,475
Exchange loss, net	5,252	105,454
Staff costs (including directors' remuneration)		
- Salaries and allowances	383,780	989,168

8. DIRECTORS' REMUNERATION

No fees or other emoluments were paid or payable to the directors during the year.

9. 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.

10. INTEREST IN A SUBSIDIARY

	2019	2018
	HK$	HK$
Unlisted investment, at cost	397,342	397,342
Amount due from a subsidiary	133,035,710	93,446,704
	133,433,052	93,844,046

Details of subsidiary are as follows:

Name of subsidiary	Place of incorporation	Parentage of Ownership and voting power	Nature of business
Progress Apparels (Bangladesh) Limited	Bangladesh	99.95%	Manufacturing and trading of garments

11. TRADE RECEIVABLES

	2019	2018
	HK$	HK$
Trade receivables (Note)	46,578,435	20,479,665

Note: Aging analysis

	2019	2018
Neither past due nor impaired	46,578,435	20,479,665

12. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

Amounts due from fellow subsidiaries disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordnance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622) are as follows:

	Outstanding principal		
Name of borrower	At beginning of year	At end of year	Maximum outstanding
	HK$	HK$	HK$
Green Apparels Industries Limited [1]	277,501	-	277,501
Styleberry Limited [2]	155,296	-	155,296
	432,797	-	

[1] Fellow subsidiary, connected with common directors.

[2] Fellow subsidiary, connected with common directors.

Principal terms: The amounts due are unsecured, interest free and have no fixed terms of repayments.

13. 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.

14. SECURED BANK BORROWINGS

	2019	2018
	HK$	HK$
Term loans	36,858,368	20,941,177
Trust receipt loans	1,482,326	-
	38,340,694	20,941,177

The term loans are secured by fellow subsidiaries' cash deposit, immediate holding company's corporate guarantee and directors' personal guarantee as disclosed in note (18).

15. SHARE CAPITAL

	2019		2018	
	No. of shares	Amount	No. of shares	Amount
		HK$		HK$
Ordinary shares of US$1 each, issued and fully paid:				
At March 31	10,100	77,808	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.

16. COMMITMENTS

At the end of the reporting period, the Company did not have any significant commitments.

17. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Company's principal financial instrument comprises cash and cash equivalents and secured bank borrowings. The main purpose of the financial instrument is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables which arise directly from its operations.

The main risks arising from the Company's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any financial institution.

Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Company will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

17. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk (Cont'd)

(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 related.

	2019 (Expressed in HK$)		
	EUR	USD	GBP
Prepayment	-	2,534,485	
Trade receivables	-	46,578,435	-
Secured bank borrowings	-	38,340,694	-
Cash and cash equivalents	10,788	2,023,134	16,289
Net exposure arising from recognised assets and liabilities	10,788	89,476,748	16,289

	2018 (Expressed in HK$)		
	EUR	USD	GBP
Prepayment	-	6,298,237	-
Trade receivables	-	20,479,665	-
Cash and cash equivalents	-	806,188	-
Net exposure arising from recognised assets and liabilities	-	27,584,090	-

17. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Foreign 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.

	2019		2018	
	Increase	Decrease	Increase	Decrease
	HK$	HK$	HK$	HK$
Euro Dollars (EUR)	901	(901)	-	-
British Pounds (GBP)	1,360	(1,360)	-	-
USD (United States Dollar)	-	-	-	-
	2,261	(2,261)	-	-

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 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 2018.

17. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

Interest rate risk

The Company has no significant interest bearing assets except secured bank borrowings. Its expense and operating cash flows are substantially independent of changes in market interest rates. Carrying amounts of financial liabilities as at March 31 that exposed to interest rate risks were as follows:

	2019	2018
	HK$	HK$
Term loans	36,858,368	20,941,177
Trust receipt loans	1,482,326	-
	38,340,694	20,941,177

Sensitivity analysis

At March 31, 2019, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, interest expenses and loss before taxation for the year ended March 31, 2019 would increase/decrease by a net amount of HK$383,407 (2018: HK$209,412). The carrying amount of financial asset/liability measured at amortized cost and the carrying amount of financial asset/liability bearing interest rate measured at fair value would not be affected by the assumed 100 basis points increase/decrease in interest rate.

Although a financial asset or financial liability may be subject to interest rate risk, its carrying amount may not necessarily be affected by the assumed 100 basis points increase in market interest rates.

18. 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.

19. RELATED PARTY TRANSACTIONS

During normal course of business, the Company had the following material transactions with the related parties below:

Name	Relationship	Nature of transaction	2019	2018
			HK$	HK$
Global Textiles Group Limited	Fellow subsidiary	Sample expenses	1,279,286	5,753,232
PDS Asia Star Corporations Limited	Fellow subsidiary	Recharge expenses	560,160	466,800
Progress Apparels (Bangladesh) Limited	Subsidiary	Purchases	6,181,921	-

20. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended March 31, 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	January 1, 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	January 1, 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	January 1, 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	January 1, 2019

The Company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.

21. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

22. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's Board of Directors on May 28, 2019.

Company Registration No. 11480949 (England and Wales)

RECOVERED CLOTHING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 MARCH 2019

UHY Hacker Young
Chartered Accountants

RECOVERED CLOTHING LIMITED

COMPANY INFORMATION

Directors	Mr A Banaik	(Appointed 24 July 2018)
	Mr E Mathews	(Appointed 24 July 2018)
Secretary	Mr K Kanodia	
Company number	11480949	
Registered office	Quadrant House - Floor 6 4 Thomas More Square London E1W 1YW	
Auditor	UHY Hacker Young Quadrant House 4 Thomas More Square London E1W 1YW	

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RECOVERED CLOTHING LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2019

The directors present their annual report and financial statements for the period ended 31 March 2019.

Principal activities
The company was incorporated on 24 July 2018. The principal activity of the company is that of import and distribution of garments.

Results and dividends
The results for the period are set out on page 6.

Directors
The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Mr A Banaik	(Appointed 24 July 2018)
Mr E Mathews	(Appointed 24 July 2018)

Auditor
UHY Hacker Young 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 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board

Mr A Banaik
Director
14 June 2019

UHY Hacker Young
Chartered Accountants

UHY Hacker Young LLP
Quadrant House
4 Thomas More Square
London E1W 1YW

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RECOVERED CLOTHING LIMITED

Opinion

We have audited the financial statements of Recovered Clothing Limited (the 'company') for the period ended 31 March 2019 which comprise the income statement, 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 United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF RECOVERED CLOTHING LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial period 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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF RECOVERED CLOTHING LIMITED

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.

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.

Vinodkumar Vadgama (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young 17 June 2019

Chartered Accountants
Statutory Auditor

RECOVERED CLOTHING LIMITED

INCOME STATEMENT

FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	Period ended 31 March 2019 £
Revenue	2	1,609
Cost of sales		(4,567)
Gross (loss)/profit		(2,958)
Administrative expenses		(46,314)
Operating (loss)/profit	3	(49,272)
Tax on (loss)/profit		-
(Loss)/profit and total comprehensive income for the financial period	9	(49,272)

The income statement has been prepared on the basis that all operations are continuing operations.

RECOVERED CLOTHING LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Notes	2019 £
Current assets		
Inventories	5	10,860
Trade and other receivables	6	11,678
Cash and cash equivalents		51,603
		74,141
Current liabilities		
Trade and other payables	7	73,413
Net current assets		728
Total assets less current liabilities		728
Net assets		728
Equity		
Called up share capital	8	50,000
Retained earnings	9	(49,272)
Total equity		728

The financial statements were approved by the board of directors and authorised for issue on 14 June 2019 and are signed on its behalf by:

Mr A Banaik
Director

Company Registration No. 11480949

RECOVERED CLOTHING LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	Share capital £	Retained earnings £	Total £
Balance at 24 July 2018		-	-	-
Period ended 31 March 2019:				
Loss and total comprehensive income for the period		-	(49,272)	(49,272)
Issue of share capital	8	50,000	-	50,000
Balance at 31 March 2019		50,000	(49,272)	728

RECOVERED CLOTHING LIMITED

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2019

	Notes	2019 £	£
Cash flows from operating activities			
Cash generated from/(absorbed by) operations	12		1,603
Net cash inflow/(outflow) from operating activities			1,603
Net cash used in investing activities			-
Financing activities			
Proceeds from issue of shares		50,000	
Net cash generated from/(used in) financing activities			50,000
Net increase in cash and cash equivalents			51,603
Cash and cash equivalents at beginning of year			-
Cash and cash equivalents at end of year			51,603

1 Accounting policies

Company information

Recovered Clothing Limited is a private company limited by shares incorporated in England and Wales. The registered office is Quadrant House - Floor 6, 4 Thomas More Square, London, E1W 1YW.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, standards not yet effective and impairment of assets.

Where required, equivalent disclosures are given in the group accounts of PDS Multinational Fashions Limited. The group accounts of PDS Multinational Fashions Limited are available to the public and can be obtained as set out in note 11.

1.2 Going concern

The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. 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.

1.3 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of a product or service to a customer.

1 Accounting policies **(Continued)**

1.4 Inventories

Inventories are valued at the lower of cost and new realisable value, after making due allowance for obsolete and slow moving items.

1.5 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13. There was no impact on the company from the adoption of IFRS 13.

1.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.7 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

1.8 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

1 Accounting policies **(Continued)**

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2 Revenue

	2019
	£
Revenue analysed by class of business	
Sale of garments	1,609

3 Operating (loss)/profit

	2019
	£
Operating loss for the period is stated after charging/(crediting):	
Fees payable to the company's auditor for the audit of the company's financial statements	2,500
Cost of inventories recognised as an expense	4,567

4 Employees

The average monthly number of persons (including directors) employed by the company during the period was 2.

5 Inventories

	2019
	£
Finished goods	10,860

6 Trade and other receivables

	2019
	£
VAT recoverable	7,719
Prepayments	3,959
	11,678

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

7 Trade and other payables

	Current
	2019
	£
Trade payables	4,900
Amount owed to parent undertaking	66,013
Accruals	2,500
	73,413

8 Share capital

	2019
	£
Ordinary share capital	
Issued and fully paid	
50,000 Ordinary Shares of £1 each	50,000
	50,000

During the period, 50,000 ordinary shares issued at par.

9 Retained earnings

	2019
	£
At the beginning of the period	-
Loss for the period	(49,272)
At the end of the period	(49,272)

10 Related party transactions

During the year, the company entered into the following transactions with related parties:

	Purchase from related parties 2019	Amounts owed to related parties 2019
	£	£
Poetic Brands Limited, UK	10,860	66,013

The immediate parent company of Recovered Clothing Limited is Poetic Brands Limited.

The above loan is interest free and repayable on demand.

No guarantees have been given or received.

11 Controlling party

The immediate parent company is Poetic Brands Limited, a company registered in England and Wales. 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 at # 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.

12 Cash generated from operations

	2019
	£
Loss for the period after tax	(49,272)
Movements in working capital:	
Increase in inventories	(10,860)
Increase in trade and other receivables	(11,678)
Increase/(decrease) in trade and other payables	73,413
Cash generated from/(absorbed by) operations	1,603

RECOVERED CLOTHING LIMITED

MANAGEMENT INFORMATION

FOR THE PERIOD ENDED 31 MARCH 2019

RECOVERED CLOTHING LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2019

		Period ended 31 March 2019
	£	£
Revenue		
Sales of goods		1,609
Cost of sales		
Trims and accessories	13,927	
Designing expenses	1,500	
Closing stock of finished goods	(10,860)	
		(4,567)
Gross loss		(2,958)
Administrative expenses		(46,314)
Operating loss		(49,272)

RECOVERED CLOTHING LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE PERIOD ENDED 31 MARCH 2019

	Period ended 31 March 2019 £
Administrative expenses	
Computer running costs	2,000
Legal and professional fees	22,018
Audit fees	2,500
Bank charges	6
Advertising	19,790
	46,314

SIMPLE APPROACH LIMITED

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

LOUIS LAI & LUK CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

SIMPLE APPROACH LIMITED

CONTENTS

SIMPLE APPROACH LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements for the year ended March 31, 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company is garment trading. The principal activity and other particulars of the subsidiary are 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 profit or loss and other comprehensive income on page 7.

The directors do not recommend the payment of any dividend for the year.

SHARE CAPITAL

Details of share capital of the Group are set out in Note (18) to the consolidated financial statements.

PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (10) 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 report were:

Sandeep Malhotra
Deepak Burman
Rohit Girotra
Ashok Kumar Sanghi

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, Rohit Girotra and Deepak Kumar Seth are the directors of the subsidiary of the Company.

SIMPLE APPROACH LIMITED

DIRECTORS' REPORT (CONT'D)

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 (25) 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

A permitted indemnity provision for the benefit of the directors was in force during the year and up to the date of this report.

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, 2019 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 28, 2019.

S LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
民、陸永熙會計師事務所有限公司

OUIS 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
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 44, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of profit or loss and 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 March 31, 2019, 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.

Key Audit Matter

We have determined that there are no key audit matters to communicate in our report.

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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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
SIMPLE APPROACH LIMITED
(incorporated in Hong Kong with limited liability)

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 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

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 (CONT'D)
TO THE MEMBERS OF
SIMPLE APPROACH 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, May 28, 2019

SIMPLE APPROACH LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
REVENUE	(5)	897,665,299	671,860,183
COST OF GOODS SOLD		(786,393,098)	(586,037,417)
GROSS PROFIT		111,272,201	85,822,766
OTHER INCOME AND GAINS	(5)	25,240,273	16,577,868
SELLING AND DISTRIBUTION COSTS		(56,193,751)	(35,808,266)
DEPRECIATION EXPENSES		(1,266,976)	(777,657)
STAFF COSTS		(30,919,517)	(29,287,418)
OTHER OPERATING EXPENSES		(35,540,886)	(29,254,187)
		12,591,344	7,273,106
FINANCE COSTS	(6)	(1,659,634)	(1,658,040)
PROFIT BEFORE TAXATION	(7)	10,931,710	5,615,066
TAXATION	(9)	(1,951,622)	(1,002,670)
PROFIT FOR THE YEAR		8,980,088	4,612,396
OTHER COMPREHENSIVE INCOME/(LOSS)			
Item that may be reclassified to profit or loss			
- Exchange difference on translating foreign operation		81,841	(125,907)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		9,061,929	4,486,489

THE NOTES ON PAGES 12 TO 44 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

SIMPLE APPROACH LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
Non-Current Assets			
Plant and equipment	(10)	2,864,769	1,465,897
Current Assets			
Inventories	(11)	26,850	-
Trade and other receivables	(12)	184,161,958	132,199,975
Deposits and prepayment		2,145,722	1,316,341
Amount due from immediate holding company	(13)	1,556,000	1,556,000
Amounts due from fellow subsidiaries	(13)	5,116,968	3,167,466
Amount due from a director	(13)	11,448,061	7,993,678
Tax recoverable		-	65,045
Cash and cash equivalents		34,800,904	11,859,629
		239,256,463	158,158,134
Current Liabilities			
Trade and other payables	(15)	92,660,340	58,231,714
Amounts due to fellow subsidiaries	(14)	18,189,821	20,216,354
Obligation under finance leases	(17)	-	25,226
Secured bank borrowings	(16)	81,648,471	41,773,918
Provision for taxation		1,218,229	34,377
		193,716,861	120,281,589
Net Current Assets		45,539,602	37,876,545
NET ASSETS		48,404,371	39,342,442
EQUITY			
Share capital	(18)	18,983,200	18,983,200
Translation reserve		(693,702)	(775,543)
Retained earnings		30,114,873	21,134,785
TOTAL EQUITY		48,404,371	39,342,442

APPROVED BY THE BOARD OF DIRECTORS ON MAY 28, 2019 AND SIGNED ON BEHALF OF THE BOARD BY:

Sandeep Malhotra
Director

Deepak Burman
Director

THE NOTES ON PAGES 12 TO 44 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

SIMPLE APPROACH LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2019

	Share capital	Translation reserve	Retained earnings	Total
	HK$	HK$	HK$	HK$
At 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 and April 1, 2018	18,983,200	(775,543)	21,134,785	39,342,442
Profit for the year and total comprehensive income for the year	-	81,841	8,980,088	9,061,929
At March 31, 2019	18,983,200	(693,702)	30,114,873	48,404,371

THE NOTES ON PAGES 12 TO 44 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

SIMPLE APPROACH LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
	HK$	HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	10,931,710	5,615,066
Adjustment for:		
Bank interest expenses	1,401,166	1,448,095
Bank interest income	(16,845)	(147)
Depreciation	1,266,976	777,657
Plant and equipment written off	6,045	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	13,589,052	7,840,671
Increase in inventories	(26,850)	-
Increase in deposits and prepayment	(829,381)	(53,349)
(Increase)/Decrease in trade and other receivables	(51,961,983)	25,315,020
Increase in trade and other payables	34,428,626	13,132,298
Net (payments to)/receipts from fellow subsidiaries	(3,976,035)	23,812,973
Net payment to a director	(3,454,383)	(1,904,218)
CASH (USED IN)/GENERATED FROM OPERATIONS	(12,230,954)	68,143,395
Bank interest received	16,845	(1,448,095)
Bank interest paid	(1,401,166)	147
Hong Kong profits tax paid	(666,066)	(1,051,267)
Tax paid for other jurisdiction	(36,659)	(96,343)
Net cash (used in)/generated from operating activities	(14,318,000)	65,547,837
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment and net cash used in investing activities	(2,673,100)	(1,373,002)

SIMPLE APPROACH LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
	HK$	HK$
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from/(repayments of) secured bank borrowings	39,874,553	(56,681,863)
Repayment of obligations under finance leases	(25,226)	(101,782)
Net cash generated from/(used in) financing activities	39,849,327	(56,783,645)
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,858,227	7,391,190
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11,859,629	4,595,231
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	83,048	(126,792)
CASH AND CASH EQUIVALENTS AT END OF YEAR	34,800,904	11,859,629

THE NOTES ON PAGES 12 TO 44 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

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 ultimate holding company and immediate holding company are PDS Multinational Fashions Limited and Multinational Textile Group Limited respectively. 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 ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 Group'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 (4) to the consolidated financial statements.

b. Changes in Accounting Policies and Disclosures

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9, Financial instruments;
(ii) HKFRS 15, Revenue from contracts with customers;

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group has applied HKFRS 9 retrospectively to items that existed at April 1, 2018 in accordance with the transition requirements and there is no material effect of Group's financial results and financial position.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

A. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-tomaturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes (2f) and (2g).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at April 1, 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset at FVOCI or FVPL or financial liability at FVPL at April 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)

B. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at April 1, 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at April 1, 2018 (the date of initial application of HKFRS 9 by the company):
  - the determination of the business model within which a financial asset is held; and
  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the consolidated financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at April 1, 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before April 1, 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

A. Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:
- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

B. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

SIMPLE APPROACH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

C. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The adoption of HKFRS15 does not have a significant impact on the presentation of Group's contract assets and liabilities.

c. Plant and Equipment

An item of plant and equipment is stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of 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 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 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 a straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life, as follows:

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%

An item of plant and equipment and 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 arising on derecognition 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 or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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, 2019. 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.

In the Company's statement of financial position, the interest in a subsidiary is stated at cost less allowance for impairment losses. The results of subsidiary are accounted for by the Group on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

e. Inventories

Inventories are assets which are held for sale in the ordinary course of business.

Inventories of the Group are goods in transit as at year end.

Inventories are carried at the lower of cost and net realisable value, after making due allowance for any obsolete or slow moving items.

Net realisable 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 expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

f. Impairment of Non-Financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current 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 other than goodwill 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, (only if there are revalued assets in the consolidated financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

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 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.

h. Financial Assets

The Group's financial assets are only classified under *Financial assets carried at amortised cost* category, including trade and other receivables, deposits, amount due from immediate holding company, fellow subsidiaries and a director and cash and cash equivalents.

Financial assets carried at amortised cost

(i) Initial recognition and measurement

All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

(ii) Subsequent measurement

At the end of each reporting period subsequent to initial recognition, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method, less 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 amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Assets (Cont'd)

Financial assets carried at amortised cost (Cont;d)

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised 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 risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all of 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

(iv) Impairment of financial assets

The Group assesses, at each reporting date, 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 the debtors 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.

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 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 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 and all collateral has been realised or has been transferred to the Group. 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 write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Financial Liabilities

Financial liabilities carried at amortised cost

The Group's financial liabilities are classified under *Financial liabilities carried at amortised cost*, including trade and other payables, amounts due to fellow subsidiaries, obligation under finance leases, secured bank borrowings and bank overdraft.

(i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

(ii) Subsequent measurement

After initial recognition, financial liabilities carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method. 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 as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

(iii) 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 consolidated statement of profit or loss.

j. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

k. Contract Assets and Contract Liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional.

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

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

l. Trade and Other Receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less impairment losses.

m. Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

For the purpose of statement of cash flows, bank overdrafts which are repayable on demand form an integral part of the company's cash management are included as a component of cash and cash equivalents.

n. Trade and Other Payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

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 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 profit or loss and other comprehensive income.

p. 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 asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee
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 Group is classified as a 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 consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group 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.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

q. 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 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 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. No deferred tax asset has been recognised on the unused tax losses due to the infeasibility to predict the availability of future taxable profit for offsetting such deductible timing differences.

Deferred tax, if material, is charged or credited in the consolidated statement of profit or loss and other comprehensive income.

r. Retirement Benefit Costs

The Group's contributions to the mandatory provident fund scheme are charged to the consolidated statement of profit or loss as incurred.

The Group's employees who have completed the required number of years of service to the Group are eligible for long service payments in the event of the termination of their employment.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the end of reporting period.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

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 profit or loss.

No provision on employees' entitlements to unconsumed annual leaves as of the end of reporting period is provided in the consolidated 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.

t. Revenue Recognition

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amount collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

- Revenue from sales of goods is recognised when the customers take possession of and accepts the products.
- Commission income, management fee income and design fee income are recognised when the services are rendered.
- Interest income from bank deposits is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset.
- Sundry income is recognised on a receipt basis.

SIMPLE APPROACH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

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 Group. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements.

v. 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 parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. 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 manages its capital structure and makes adjustments to it in light of changes in economic conditions. 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. No changes in the objectives, policies or processes for managing capital were made during the years ended March 31, 2019 and March 31, 2018.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected 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 Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

5. REVENUE, OTHER INCOME AND GAINS

	2019	2018
Revenue, other income and gains recognised during the year are as follows:	HK$	HK$
Revenue:		
Sales of goods	897,665,299	671,860,183
Other income and gains:		
Bank charges recovery	4,070,920	1,431,466
Bank interest income	16,845	147
Claim and recovery	3,808,766	3,602,827
Commission income	13,457,032	10,985,943
Exchange gain, net	-	544,591
Product development cost recovery	3,728,416	-
Sundry income	158,294	12,894
	25,240,273	16,577,868
Total revenue recognised	922,905,572	688,438,051

6. FINANCE COSTS

	2019	2018
Interest on bank loans	1,400,715	1,442,546
Bank finance charges	258,468	209,945
Finance lease interest	451	5,549
	1,659,634	1,658,040

7. PROFIT BEFORE TAXATION

	2019	2018
	HK$	HK$
Profit before taxation is stated after charging/(crediting):		
Auditors' remuneration	150,880	143,319
Depreciation	1,266,976	777,657
Exchange loss/(gain), net	294,136	(544,591)
Plant and equipment written off	6,045	-
Rental payment under operating leases - properties	2,691,340	2,288,626
Staff costs:		
- Salaries and allowances	28,796,032	27,377,204
- MPF contribution	519,701	514,866
- Director's quarter expenses	1,273,105	1,231,944
- Recruitment expenses	330,679	163,404

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance (Cap. 622) and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2019	2018
	HK$	HK$
Directors' fees	1,985,040	1,838,160
Salaries, allowances and benefits other than in cash	1,273,105	1,273,944
Retirement benefits	18,000	18,000
	3,276,145	3,130,104

9. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the current year. Profits tax of subsidiary has been provided at the prevailing rate of the country the subsidiary operates.

No deferred tax has been recognised in the consolidated financial statements on the grounds that the deductible temporary differences of the Company for the current and previous years are negligible in comparison to the Company's overall financial position.

	2019	2018
	HK$	HK$
Current - Hong Kong:		
Tax charge for the year	1,949,340	971,482
Current - Overseas:		
Tax charge for the year	2,282	33,260
Overprovision in prior years	-	(2,072)
Total tax charge for the year	1,951,622	1,002,670

The charge for the year can be reconciled to the profit per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019	2018
	HK$	HK$
Profit before taxation	10,931,710	5,615,066
Tax at the domestic income tax rate	1,769,854	941,171
Tax effect on income that are not taxable	(2,779)	(24)
Tax effect on expenses that are not deductible	210,313	126,582
Net tax allowance claimed	(87,659)	(32,987)
Tax concession	(20,000)	(30,000)
Over-provision for previous year	-	(2,072)
Tax effect of unused tax losses not recognised	81,893	-
Tax charge for the year	1,951,622	1,002,670

SIMPLE APPROACH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. 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 1/4/2017	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 and 1/4/2018	699,367	632,064	1,071,616	1,550,650	340,000	6,568	4,300,265
Additions	500,294	202,058	316,616	1,654,132	-	-	2,673,100
Written off	-	-	(6,800)	-	-	-	(6,800)
Exchange realignment	(2,035)	-	(8,258)	-	-	-	(10,293)
At 31/3/2019	1,197,626	834,122	1,373,174	3,204,782	340,000	6,568	6,956,272
Accumulated Depreciation							
At 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 and 1/4/2018	515,409	229,336	732,650	1,038,770	311,638	6,565	2,834,368
Charge for the year	484,543	168,782	214,286	371,000	28,362	3	1,266,976
Written off	-	-	(378)	-	-	-	(378)
Exchange realignment	(4,282)	-	(5,181)	-	-	-	(9,463)
At 31/3/2019	995,670	398,118	941,377	1,409,770	340,000	6,568	4,091,503
Net Carrying Amount							
At 31/3/2019	201,956	436,004	431,797	1,795,012	-	-	2,864,769
At 31/3/2018	183,958	402,728	338,966	511,880	28,362	3	1,465,897

11. INVENTORIES

	2019	2018
	HK$	HK$
Finished goods:		
Farbic	26,850	-

12. TRADE AND OTHER RECEIVABLES

	2019	2018
Trade receivables (Note)	176,695,164	110,898,899
Advance to vendors	7,126,040	16,741,153
Other receivables	340,754	4,559,923
	184,161,958	132,199,975

Note: At the end of reporting period, the aging analysis of trade receivables is as follows:

	2019	2018
Neither past due nor impaired	166,490,095	101,412,649
Past due but not impaired	10,205,069	9,486,250
	176,695,164	110,898,899

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

13. AMOUNTS DUE FROM IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES

Amounts due from immediate holding company/fellow subsidiaries 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 (Cap. 622) are as follows:

Name of borrower	Relationship	2018	2019	Maximum outstanding
		HK$	HK$	HK$
Sandeep Malhotra	Director	7,993,678	11,448,061	11,448,061
Multinational Textile Group Limited	Immediate holding company	1,556,000	1,556,000	1,556,000
Full House Manufacturing Limited (formerly known as Nor Lanka Mfg. Ltd.)	Fellow subsidiary	1,729,517	1,729,517	1,729,517
Kleider Sourcing Hong Kong Limited	Fellow subsidiary	139,744	-	139,744
PDS Asia Star Corporation Limited	Fellow subsidiary	103,797	1,307,947	1,307,947
Spring Near East Manufacturing Co. Limited	Fellow subsidiary	925,594	-	925,594
Techno Design HK Limited	Fellow subsidiary	268,814	268,814	268,814
Zamira Fashion Limited	Fellow subsidiary	-	1,810,690	1,810,690
		3,167,466	5,116,968	

Principal terms: The amounts due from immediate holding company/fellow subsidiaries are interest free, unsecured and have no fixed repayment terms.

14. AMOUNTS DUE TO FELLOW SUBSIDIARIES

Amounts due to fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

15. TRADE AND OTHER PAYABLES

	2019	2018
	HK$	HK$
Trade payables (Note):	82,188,774	49,380,189
Other payables and accruals	10,471,566	8,851,525
	92,660,340	58,231,714

Note: Maturity of trade payable is as follows:

	2019	2018
Due for payment within one year	82,188,774	49,380,189

Trade payables are non-interest bearing and have no fixed credit terms.

16. SECURED BANK BORROWINGS

	2019	2018
	HK$	HK$
Discounted bills loans	21,572,736	11,676,245
Trust receipts loans	60,075,735	30,097,673
	81,648,471	41,773,918

17. OBLIGATIONS UNDER FINANCE LEASES

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

	2019	2018
	HK$	HK$
Within one year	-	25,226

18. SHARE CAPITAL

	2019		2018	
	No. of shares	Amount	No. of shares	Amount
		HK$		HK$
Issued and fully paid				
Oridinary 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.

SIMPLE APPROACH LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2019	2018
		HK$	HK$
Non-Current Assets			
Plant and equipment		2,844,860	1,437,213
Interest in a subsidiary	(19a)	589,374	707,481
		3,434,234	2,144,694
Current Assets			
Inventories		26,850	-
Trade and other receivables		184,043,183	132,072,889
Deposits and prepayment		2,111,209	1,302,037
Amount due from immediate holding company		1,556,000	1,556,000
Amounts due from fellow subsidiaries		5,116,968	3,167,466
Amount due from a director		11,448,061	7,993,678
Tax recoverable		-	65,045
Cash and cash equivalents		34,440,517	11,136,698
		238,742,788	157,293,813
Current Liabilities			
Trade and other payables		92,652,438	58,214,489
Amounts due to fellow subsidiaries		18,189,821	20,216,354
Obligation under finance leases		-	25,226
Secured bank borrowings		81,648,471	41,773,918
Provision for taxation		1,218,229	-
		193,708,959	120,229,987
Net Current Assets		45,033,829	37,063,826
NET ASSETS		48,468,063	39,208,520
EQUITY			
Share capital		18,983,200	18,983,200
Retained earnings	(20)	29,484,863	20,225,320
TOTAL EQUITY		48,468,063	39,208,520

APPROVED BY THE BOARD OF DIRECTORS ON MAY 28, 2019 AND SIGNED ON BEHALF OF THE BOARD BY:

Sandeep Malhotra
Director

Deepak Burman
Director

19. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

(a) Particulars of subsidiary

Name of subsidiary	Place of incorporation	Percentage of ownership and voting power		Nature of business
		2019	2018	
Simple Approach (Canada) Limited	Canada	100%	100%	Garment trading and procures sales orders behalf of a foreign affiliated for a marketing fee

20. MOVEMENT IN THE RESERVES OF THE COMPANY

	Retained Earnings
	HK$
At April 1, 2017	15,694,307
Profit for the year and total comprehensive income for the year	4,531,013
At March 31, 2018 and April 1, 2018	20,225,320
Profit for the year and total comprehensive income for the year	9,259,543
At March 31, 2019	29,484,863

21. OPERATING LEASE COMMITMENT

At the end of reporting period, the Group had outstanding commitments under its non-cancellable operating lease, which fall due as follows:

	2019	2018
	HK$	HK$
Within one year	821,150	-
In the second to fifth years inclusive	1,628,837	-
	2,449,987	-

22. BANKING FACILITIES

General banking facilities granted by various banks were secured by the Group's fixed deposit, fellow subsidiaries' corporate guarantee, ultimate holding and immediate holding companies' corporate guarantee, directors' personal guarantee, life insurance policy and fellow subsidiary's properties.

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:

	2019	2018
	HK$	HK$
Irrevocable letter of credit	112,959,649	114,332,360

(b) At the end of reporting period, there were mutual guarantees between the Group and its fellow subsidiaries.

24. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group's principal financial instrument comprises cash and cash equivalents and secured bank borrowings. The main purpose of the financial instrument is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group operates internationally and is primarily exposed to foreign exchange risk arising from currency exposures of the United States dollars, with respect to the Hong Kong dollar. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

24. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk (Cont'd)

(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 related.

2019
(Expressed in HK$)

	USD	GBP	EUR	BDT	CAD	Total
Trade and other receivables	177,152,491	-	6,668,713	36,230	118,775	183,976,209
Cash and cash equivalent	28,313,964	228,254	2,641,703	1,068,245	364,902	32,617,068
Trade and other payables	(79,915,971)	-	(2,250,949)	(749,003)	(7,902)	(82,923,825)
Secured bank borrowings	81,648,071	-	-	-	-	81,648,071
Net exposure arising from recognised assets and liabilities	207,198,555	228,254	7,059,467	355,472	475,775	215,317,523

2018
(Expressed in HK$)

	USD	GBP	EUR	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)	(17,255)	(57,864,717)
Secured 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	416,885	43,710,251

24. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (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.

	2019		2018	
	Increase	Decrease	Increase	Decrease
	HK$	HK$	HK$	HK$
United States Dollars	-	-	-	-
British Pound	22,825	(22,825)	10,430	(10,430)
Euro Dollars	705,947	(705,947)	21,820	(21,820)
Bangladeshi Taka	35,547	(35,547)	57,564	(57,564)
Canadian Dollar	47,578	(47,578)	34,812	(34,812)
	811,897	(811,897)	124,626	(124,626)

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 2018.

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

24. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Interest rate risk

The Group has no significant interest bearing assets except secured bank borrowings. Its expenses and operating cash flows are substantially independent of changes in market interest rates. Carrying amounts of financial liabilities as at March 31 that exposed to interest rate risks were as follows:

	2018	2017
	HK$	HK$
Disccounted bills loans	21,572,736	11,676,245
Trust receipts loans	60,075,734	30,097,673
Factoring loans	-	45,172,912
	81,648,470	86,946,830

Sensitivity analysis

At March 31, 2019, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, interest income and profit before taxation for the year ended March 31, 2019 would increase/decrease by a net amount of HK$138,579 (2018: HK$138,446). The carrying amount of financial asset/liability measured at amortized cost and the carrying amount of financial asset/liability bearing interest rate measured at fair value would not be affected by the assumed 100 basis points increase/decrease in interest rate.

Although a financial asset or financial liability may be subject to interest rate risk, its carrying amount may not necessarily be affected by the assumed 100 basis points increase in market interest rates.

25. 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	2019	2018
			HK$	HK$
Multinational Textile Group Limited, Mauritius	Immediate holding company	Management fee	2,270,982	1,867,200
		SAP facilities charges	202,280	248,960
Global Texile Group Limited, Mauritius	Fellow subsidairy	Consultancy fee	4,925,720	1,180,880
		Sampling expenses	-	2,137,392
Norwest Industries Limited	Fellow subsidiary	Rental fee	1,259,987	1,260,000
		Commission income	13,457,032	10,985,943
		Commission expenses	36,605,488	24,277,723
		Recharge income	4,800,945	-
		Recharge expenses	9,688,438	4,564,459
		Management fee	300,106	-
		SAP facilities charges	25,590	-
Poeticgem Ltd., UK	Fellow subsidiary	Recharge income	31,155	-
		Recharge expenses	2,416,318	1,326,047
Zamira Fashion Limited	Fellow subsidiary	Recharge expenses	680,893	590,043
PDS Asia Star Corporation Limited	Fellow subsidiary	Recharge income	1,951,104	1,999,887
		Recharge expenses	746,955	560,160
Nor Lanka Manufacturing Limited	Fellow subsidiary	Purchases	8,539,313	12,013,259
		Recharge income	334,539	-
		Recharge expenses	1,223,665	-
Kleider Sourcing Hong Kong Limited	Fellow subsidiary	Sampling expenses	-	336,968
Design Arc Asia Limited	Fellow subsidiary	Marketing fee paid	1,857,162	-
		Recharge income received	782,577	-
		Marketing income received	954,950	-

26. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2019

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended March 31, 2019 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	January 1, 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	January 1, 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	January 1, 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	January 1, 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.

27. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current year's presentation.

28. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Group's Board of Directors on May 28, 2019.

KPMG Lower Gulf Limited
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Independent Auditors' Report

To the Shareholders of Spring Near East FZCO

Opinion

We have audited the financial reporting package for Spring Near East FZCO ("the Company") which comprise the balance sheet as at 31 March 2019 and the statements of profit or loss for the period Jan 17, 2019 to March 31, 2019.

In our opinion, the accompanying financial reporting package is prepared in all material respects, in accordance with the Group accounting policies of Multinational Textile Group Limited ("Group accounting policies"), attached as Appendix 1.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Group financial reporting package* 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 ethical requirements that are relevant to our audit of the group financial reporting package and we have fulfilled our other ethical responsibilities in accordance with the ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Basis of Accounting and Restriction on Use

The Group financial reporting package is prepared to assist the management to prepare the consolidated financial statements of Multinational Textiles Group Limited ("the Holding Company") and its subsidiaries (collectively referred to as "the Group"). As a result, the financial reporting package may not be suitable for another purpose. Our report is not modified in respect of this matter.

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Responsibilities of Management and Those Charged with Governance for the financial reporting package

Management is responsible for the preparation of the financial reporting package in accordance with the Group accounting policies, and for such internal control as management determines is necessary to enable the preparation of financial reporting package that are free from material misstatement, whether due to fraud or error.

In preparing the financial reporting package, 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.

Auditors' Responsibilities for the Audit of the financial reporting package

Our objectives are to obtain reasonable assurance about whether the financial reporting package as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 International Standards on Auditing 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 reporting package.

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

- Identify and assess the risks of material misstatement of the financial reporting package, 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.

Auditors' Responsibilities for the Audit of the financial reporting package (continued)

- 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 auditors' report to the related disclosures in the financial reporting package 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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.

KPMG

KPMG Lower Gulf Limited
Date: 23 MAY 2019

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Spring Near East FZCO
Statement of financial position as at March 31, 2019

	GBP
Current assets	
Prepaid rent	17,139
Total current assets	**17,139**
Current liabilities	
Audit fee payable	1,000
Employee Payable	10,494
Due to a related party	23,084
Total current liabilities	**34,579**
Net assets	**(17,440)**
Represented by:	
Share capital	20,000
Accumulated losses	(37,440)
	(17,440)

For and on behalf of the Board

سبرينغ نير ايست ش.م.ح
DAFZA
Dubai - U.A.E
SPRING NEAR EAST FZCO

Spring Near East FZCO
Statement of Profit and Loss for the 74 day period ended March 31, 2019

	GBP
Administrative and general expenses	37,440
Net loss	**37,440**

Administrative and general expenses	
License Fees	3,000
Legal & Professional Charges	9,719
Auditors' Remuneration	1,000
Rent - Office	4,358
Rates & Taxes (Local)/Regn Fees	1,622
Courier Charges - International	138
Salary	12,950
Immigration/Visa Expenses	1,772
Welfare Expenses - Staff	116
Office Supplies	21
Mobile Phones Expenses	279
Travel - Local	456
Hotel Charges - Local	2,009
	37,440

Multinational Textile Group Limited and its subsidiaries

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

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.

TECHNO DESIGN HK LIMITED

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

LOUIS LAI & LUK CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

TECHNO DESIGN HK LIMITED

CONTENTS

TECHNO DESIGN HK LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the audited financial statements of the Company for the year ended March 31, 2019.

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 statement of profit or loss and other comprehensive income on page 7.

The directors do not recommend the payment of any dividend for the year.

SHARE CAPITAL

Details of share capital of the Company are set out in Note (17) to the financial statements.

PLANT AND EQUIPMENT

Movements in plant and equipment are set out in the Note (10) 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 (22) 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.

TECHNO DESIGN HK LIMITED

REPORT OF THE DIRECTORS (CONT'D)

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 n 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 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 28, 2019.

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
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 36 which comprise the statement of financial position as at March 31, 2019, 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, 2019, 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.

Key Audit Matter

We have determined that there are no key audit matters to communicate in our report.

Fundamental Uncertainty Relating to the Going Concern Basis

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2c) 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 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 K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師
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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
TECHNO DESIGN HK LIMITED
(incorporated in Hong Kong with limited liability)

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.

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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
TECHNO DESIGN HK LIMITED
(incorporated in Hong Kong with limited liability)

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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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
TECHNO DESIGN HK 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, May 28, 2019.

TECHNO DESIGN HK LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
REVENUE	(5)	61,173,955	23,802,407
COST OF SALES		(56,127,334)	(23,638,662)
GROSS PROFIT		5,046,621	163,745
OTHER INCOME AND GAIN	(5)	5,362,486	4,834,412
DEPRECIATION		(98,025)	(100,317)
STAFF COSTS		(2,088,099)	-
OTHER OPERATING EXPENSES		(6,692,981)	(5,436,475)
PROFIT/(LOSS) FROM OPERATION		1,530,002	(538,635)
FINANCE COSTS	(6)	(842,444)	(293,263)
PROFIT/(LOSS) BEFORE TAXATION	(7)	687,558	(831,898)
TAXATION	(9)	-	-
LOSS FOR THE YEAR		687,558	(831,898)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		687,558	(831,898)

THE NOTES ON PAGES 11 TO 36 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TECHNO DESIGN HK LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
Non-Current Assets			
Plant and equipment	(10)	174,450	234,112
Current Assets			
Inventories	(11)	1,760,613	650,605
Amounts due from fellow subsidiaries	(12)	29,420,144	21,927,177
Trade receivables	(13)	39,519,695	13,709,164
Cash and cash equivalents		2,515,670	182,552
		73,216,122	36,469,498
Current Liabilities			
Amount due to immediate holding company	(14)	-	88,879
Amounts due to fellow subsidiaries	(14)	20,410,488	21,564,179
Amount due to a director	(14)	1,163,471	536,509
Trade and other payables	(15)	19,358,280	6,899,867
Secured bank borrowings	(16)	34,320,098	10,163,499
		75,252,337	39,252,933
Net Current Liabilities		(2,036,215)	(2,783,435)
NET LIABILITIES		(1,861,765)	(2,549,323)
DEFICIT			
Share capital	(17)	778,000	778,000
Accumulated losses		(2,639,765)	(3,327,323)
TOTAL DEFICIT		(1,861,765)	(2,549,323)

APPROVED BY THE BOARD OF DIRECTORS ON MAY 28, 2019 AND SIGNED ON BEHALF OF THE BOARD BY:

Deepak Kumar SETH
Director

Rajive RANJAN
Director

THE NOTES ON PAGES 11 TO 36 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TECHNO DESIGN HK LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2019

	Share Capital	Accumulated Losses	Total
	HK$	HK$	HK$
At 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 and April 1, 2018	778,000	(3,327,323)	(2,549,323)
Profit for the year and total comprehensive income for the year	-	687,558	687,558
At March 31, 2019	778,000	(2,639,765)	(1,861,765)

THE NOTES ON PAGES 11 TO 36 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

TECHNO DESIGN HK LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
	HK$	HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	687,558	(831,898)
Adjustments for:		
Loss on disposal of plant and equipment	15,163	-
Depreciation	98,025	100,317
Other interest expenses	842,444	293,263
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	1,643,190	(438,318)
(Increase)/Decrease in inventories	(1,110,008)	1,190,504
(Increase)/Decrease in amounts due from fellow subsidiaries	(7,492,967)	4,423,680
Increase in trade and other receivables	(25,810,531)	(7,657,301)
Decrease in amount due to immediate holding company	(88,879)	(3,062,745)
(Decrease)/Increase in amounts due to fellow subsidiaries	(1,153,691)	4,522,846
Increase/(Decrease) in amount due to a director	626,962	(4,034,170)
Increase/(Decrease) in trade and other payables	12,458,413	(2,761,185)
CASH USED IN OPERATIONS	(20,927,511)	(7,816,689)
Other interest paid	(842,444)	(293,263)
Net cash used in operating activities	(21,769,955)	(8,109,952)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment and net cash used in investing activities	(53,526)	(132,052)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from secured bank borrowings and net cash generated from financial activities	24,156,599	4,060,038
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,333,118	(4,181,966)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	182,552	4,364,518
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,515,670	182,552

THE NOTES ON PAGES 11 TO 36 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

1. GENERAL

Techno Design HK 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 ultimate holding company and immediate holding company are PDS Multinational Fashions Limited and Multinational Textile Group Limited respectively. 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 financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations ("Int(s)")) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), 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 (4) to the financial statements.

b. Changes in Accounting Policies and Disclosures

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group, out of which, the following developments are relevant to the Group's financial statements:

(i) HKFRS 9, Financial instruments
(ii) HKFRS 15, Revenue from contracts with customers

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

   b. Changes in Accounting Policies and Disclosures

      (i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

      HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Company has applied HKFRS 9 retrospectively to items that existed at April 1, 2018 in accordance with the transition requirements and there is no material effect of Company's financial results and financial position.

      Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

      A. Classification of financial assets and financial liabilities

      HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-tomaturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

      For an explanation of how the Company classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes (2g) and (2h).

      The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at April 1, 2018 have not been impacted by the initial application of HKFRS 9.

      The Company did not designate or de-designate any financial asset at FVOCI or FVPL or financial liability at FVPL at April 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)

B. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at April 1, 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at April 1, 2018 (the date of initial application of HKFRS 9 by the company):
  - the determination of the business model within which a financial asset is held; and
  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at April 1, 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Company has applied the new requirements only to contracts that were not completed before April 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

A. Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:
- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Company recognises revenue from sales of goods.

B. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Company only applied such a policy when payments were significantly deferred, which was not common in the Company's arrangements with its customers. The Company did not apply such a policy when payments were received in advance.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

C. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Company has an unconditional right to consideration. If the Company recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Company recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The adoption of HKFRS15 does not have a significant impact on the presentation of Company's contract assets and liabilities.

c. Going Concern

The immediate holding company 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.

d. Plant and Equipment

An item of plant and equipment is stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of 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 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 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 a straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life, as follows:

Computer equipment	3 years
Furniture & fixtures	4 years
Leasehold improvement	4 years
Office equipment	3 years
Other equipment	4 years

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

d. Plant and Equipment (Cont'd)

An item of plant and equipment and 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 arising on derecognition 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 or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

e. Impairment of Non-Financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current 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 other than goodwill 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, (only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Inventories

Inventories are assets which are held for sale in the ordinary course of business.

Inventories of the Company are goods in transit as at year end.

Inventories are carried at the lower of cost and net realisable value, after making due allowance for any obsolete or slow moving items.

Net realisable 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 expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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 *Financial assets carried at amortised cost* category, including trade receivables, amounts due from fellow subsidiaries and cash and cash equivalents.

Financial assets carried at amortised cost

(i) Initial recognition and measurement

All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

(ii) Subsequent measurement

At the end of each reporting period subsequent to initial recognition, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method, less 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 amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Assets (Cont'd)

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised 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 risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all of 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. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

(iv) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a Company 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 the debtors 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.

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 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 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 and all collateral has been realised or has been transferred to the Company. 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 write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Financial liabilities

Financial liabilities carried at amortised cost

The Company's financial liabilities are classified under *Financial liabilities carried at amortised cost*, including trade and other payables, amounts due to fellow subsidiaries, a director and immediate holding company.

(i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

(ii) Subsequent measurement

After initial recognition, financial liabilities carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method. 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 as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

(iii) 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.

j. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

k. Contract Assets and Contract Liabilities

A contract asset is recognised when the Company recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional.

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

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

l. Trade and Other Receivables

A receivable is recognised when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less impairment losses.

m. Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

n. Trade and Other Payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

o. 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 other comprehensive income.

p. 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 asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee
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.

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 or loss.

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.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

q. 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 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 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. No deferred tax asset has been recognised on the unused tax losses due to the infeasibility to predict the availability of future taxable profit for offsetting such deductible timing differences.

Deferred tax, if material, is charged or credited in the statement of profit or loss and other comprehensive income.

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 profit or loss.

No provision on employees' entitlements to unconsumed annual leaves as of the end of reporting period is provided in the financial statement 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.

s. Revenue Recognition

Income is classified by the company as revenue when it arises from the sale of goods in the ordinary course of the Company's business.

Revenue is recognised when control over a product is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amount collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

s. Revenue Recognition (Cont'd)

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Company, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Company takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Company's revenue and other income recognition policies are as follows:

- Revenue from sales of goods is recognised when the customers take possession of and accept the products.

- Commission income and consultancy income are recognised when services are rendered.

- Sundry income is recognised on a receipt basis.

t. Borrowing Costs

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.

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 Company's policy for borrowing cost as stated in the preceding note.

v. 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)

w. 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 Company of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. 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 manages its capital structure and makes adjustments to it in light of changes in economic conditions. 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. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected 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 consolidated 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.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

5. REVENUE, OTHER INCOME AND GAIN

	2019	2018
Revenue, other income and gain recognised during the year are as follows:	HK$	HK$
Revenue:		
Sales of goods	61,173,955	23,802,407
Other income and gain:		
Commission income	4,776,082	2,486,630
Consultancy income	-	1,899,542
Exchange gain, net	-	52,605
Sundry income	586,404	395,635
	5,362,486	4,834,412
Total revenue recognised	66,536,441	28,636,819

6. FINANCE COSTS

Other interest expenses	842,444	293,263

7. PROFIT/(LOSS) BEFORE TAXATION

	2019	2018
	HK$	HK$
Profit/(Loss) before taxation is stated after charging/(crediting):		
Auditors' remuneration	32,176	31,067
Depreciation	98,025	100,317
Exchange loss/(gain), net	532,638	(52,605)
Loss on disposal of plant and equipment	15,163	-
Staff costs (including director's remuneration)		
- Salaries and allowance	1,710,416	-
- Other staff costs	377,683	-

8. DIRECTORS' REMUNERATION

No fees or other emoluments were paid or payable to the directors 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. PLANT AND EQUIPMENT

	Leasehold Improvement	Furniture & Fixtures	Computer Equipment	Office Equipment	Other Equipment	Total
Cost	HK$	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 and 1/4/2018	212,237	10,362	65,207	139,496	-	427,302
Additions	-	-	-	-	53,526	53,526
Disposal	-	-	(30,800)	-	-	(30,800)
At 31/3/2019	212,237	10,362	34,407	139,496	53,526	450,028
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 and 1/4/2018	51,325	3,022	30,899	107,944		193,190
Charge for the year	53,059	2,590	13,279	17,203	11,894	98,025
Written back on disposal	-	-	(15,637)	-	-	(15,637)
At 31/3/2019	104,384	5,612	28,541	125,147	11,894	275,578
Net Carrying Amount						
At 31/3/2019	107,853	4,750	5,866	14,349	41,632	174,450
At 31/3/2018	160,912	7,340	34,308	31,552	-	234,112

11. INVENTORIES

	2019	2018
	HK$	HK$
Raw materials	1,760,613	650,605

TECHNO DESIGN HK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

Amounts due from fellow subsidiaries 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 (Cap. 622) are as follows:

Name of borrower	At beginning of year	At end of year	Maximum outstanding
	HK$	HK$	HK$
Techno Manufacturing Limited	7,764,711	7,764,711	7,764,711
Techno Design GMBH	13,812,366	20,736,303	20,736,303
Green Apparel Industries Limited	350,100	-	350,100
Grupo Sourcing Limited	-	544,600	544,600
Clover Collections Limited	-	6,708	6,708
Design Arc Asia Limited	-	53,511	53,511
Fareast Vogue Limited	-	40,981	40,981
Nor Lanka Manufacturing Limited	-	273,330	273,330
	21,927,177	29,420,144	

Principal terms: The amounts due are unsecured, interest free and have no fixed terms of repayments.

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$	HK$
Trade receivables (Note)	37,218,119	8,105,960
Other receivable	2,301,576	5,603,204
	39,519,695	13,709,164

Note: Aging analysis of trade receivables are as follows:

	2019	2018
Neither past due nor impaired	31,845,993	6,135,875
Past due but not impaired	5,372,126	1,970,085
	37,218,119	8,105,960

14. 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.

15. TRADE AND OTHER PAYABLES

	2019	2018
	HK$	HK$
Trade payables (Note)	18,624,124	3,855,923
Other payables	734,156	3,043,944
	19,358,280	6,899,867

Note: Maturity of trade payables is as follows:

Due for payment:		
No later than one year	16,741,534	1,506,212
Past due more than one year	1,882,590	2,349,711
	18,624,124	3,855,923

16. SECURED BANK BORROWINGS

The carrying amount of the secured bank borrowings at the end of reporting period is analyzed as follows:

	2019	2018
	HK$	HK$
Amount repayable within one year:		
Clean import loans	8,828,140	5,086,474
Discounted bills loans	16,492,040	3,550,676
Trust receipt loans	8,999,918	1,526,349
	34,320,098	10,163,499

17. SHARE CAPITAL

	2019		2018	
	No. of shares	Amount	No. of shares	Amount
		HK$		HK$
Ordinary shares, issued and fully paid:				
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. COMMITMENTS

At the end of the reporting period, the Company did not have any significant commitments.

19. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Company's principal financial instrument comprises cash and cash equivalents and secured bank borrowings. The main purpose of the financial instrument is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any financial institution.

Foreign currency risk

The Company operates internationally and is primarily exposed to foreign exchange risk arising from currency exposures of the United States dollars, with respect to the Hong Kong dollar. The Company will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

19. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

(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 related.

	2019 (Expressed in HK$)		
	EUR	USD	GBP
Trade receivables	-	39,519,695	-
Cash and cash equivalents	296,431	2,192,190	6,225
Trade and other payables	-	(19,358,280)	-
Secured bank borrowings	-	(34,320,098)	-
Net exposure arising from recognised assets and liabilities	296,431	(11,966,493)	6,225

	2018 (Expressed in HK$)		
	EUR	USD	GBP
Trade receivables	-	13,709,164	-
Cash and cash equivalents	29,034	139,397	6,689
Trade and other payables	-	(6,899,867)	-
Secured bank borrowings	-	(10,163,499)	-
Net exposure arising from recognised assets and liabilities	29,034	(3,214,805)	6,689

(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.

	2019		2018	
	Increase	Decrease	Increase	Decrease
	HK$	HK$	HK$	HK$
Euro Dollars (EUR)	24,749	(24,749)	2,424	(2,424)
British Pounds (GBP)	520	(520)	559	(559)
United States Dollar (USD)	-	-	-	-
	25,269	(25,269)	2,983	(2,983)

19. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (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 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 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 2018.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

Interest rate risk

The Compamy has no significant interest bearing assets except secured bank borrowings. Its expense and operating cash flows are substantially independent of changes in market interest rates. Carrying amounts of financial liabilities as at March 31 that exposed to interest rate risks were as follows:

	2019	2018
	HK$	HK$
Clean import loans	8,828,140	5,086,474
Discounted bills loans	16,492,040	3,550,676
Trust receipts loans	8,999,918	1,526,349
	34,320,098	10,163,499

Sensitivity analysis

At March 31, 2019, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, interest income and profit before taxation for the year ended March 31, 2019 would increase/decrease by a net amount of HK$3,432,010 (2018: HK$1,016,350). The carrying amount of financial asset/liability measured at amortized cost and the carrying amount of financial asset/liability bearing interest rate measured at fair value would not be affected by the assumed 100 basis points increase/decrease in interest rate.
Although a financial asset or financial liability may be subject to interest rate risk, its carrying amount may not necessarily be affected by the assumed 100 basis points increase in market interest rates.

20. 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.

21. CONTINGENT LIABILITIES

(a) The Company had the following contingent liabilities not provided for in the financial statements at the end of reporting period:

	2019	2018
	HK$	HK$
Irrevocable letters of credit	13,924,821	182,837

(b) At the end of reporting period, there were mutual guarantees between the Company and its fellow subsidiary.

22. RELATED PARTY TRANSACTIONS

During normal course of business, the Company had the following transactions with the related parties below.

Name of Company	Relationship	Nature of transaction	2019	2018
			HK$	HK$
Clover Collections Limited	Fellow subsidiary	- Recharge income	85,629	-
Norwest Industries Limited., Hong Kong	Fellow subsidiary	- Recharge expenses	2,155	1,925,056
		- Commission expenses	-	96,520
Nor Lanka Manufacturing Limited., Hong Kong	Fellow subsidiary	- Recharge expenses	-	884,199
Nor Lanka Manufacturing Colombo Limited., Sri Lanka	Fellow subsidiary	- Recharge expenses	-	288,934
PDS Asia Star Corporation Limited., Hong Kong	Fellow subsidiary	- Recharge expenses	373,440	210,060
		- Commission expenses	-	14,801
Poeticgem International Limited., Hong Kong	Fellow subsidiary	- Recharge expenses	-	309,025
Techno Design GMBH., Germany	Fellow subsidiary	- Commission income	879,522	2,359,007
		- Commission expenses	286,825	459,036
		- Recharge income	286,911	-
Souring Solutions Limited	Related company	- Commission expenses	50,045	128,416
Multinational Textile Group Limited., Mauritius	Immediate holding company	- Recharge expenses	-	46,680
		- Management fees	485,682	308,834
Rajive RANJAN	Director	- Consultancy fee	1,556,000	1,711,599
Birthe SIEMERS	Director	- Consultancy fee	156,845	137,239
			=========	=========

23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended March 31, 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	January 1, 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	January 1, 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	January 1, 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	January 1, 2019

The Company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's Board of Director on May 28, 2019.

Techno Design GmbH

Willich

Financial statement as at 31.03.2019

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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 01.04.2018 bis 31.03.2019 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 2018 to 31. March 2019 (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 13.05.2019

Hartmann & Partner
Steuerberatungsgesellschaft mbB

Lindner
(Steuerberater)

Balance Sheet

Techno Design GmbH
Willich

as at

31.03.2019

ASSETS

	31.03.2019 Euro	31.03.2018 Euro
A. Fixed assets		
Tangible fixed assets		
Other equipment, operating and office equipment	24.397,00	4.829,50
B. Current assets		
I. Inventories		
Finished goods and merchandise	105.160,03	86.844,07
II. Receivables and other assets		
1. Trade receivables	3.184.972,73	2.256.861,81
2. Other assets	143.425,61	99.422,22
	3.328.398,34	2.356.284,03
III. Cash-in-hand, central bank balances, bank balances and cheques	688.991,53	123.403,38
C. Prepaid expenses	12.736,47	8.903,78
D. Deficit not covered by equity	314.657,08	309.486,13
	4.474.340,45	2.889.750,89

Equity and liabilities

	31.03.2019 Euro	31.03.2018 Euro
A. Equity		
I. Subscribed capital	100.000,00	100.000,00
II. Accumulated losses brought forward	409.486,13-	479.990,97-
III. Net loss for the financial year	5.170,95-	70.504,84
Deficit not covered	314.657,08	309.486,13
Book equity	0,00	0,00
B. Provisions		
Other provisions	13.669,60	49.897,96
C. Liabilities		
1. Trade payables	2.365.523,64	757.594,02
2. Liabilities to affiliated companies	2.085.292,38	2.073.035,78
3. Other liabilities	9.854,83	9.223,13
	4.460.670,85	2.839.852,93
- of which taxes Euro 5.042,41 (Euro 8.687,61)		
	4.474.340,45	2.889.750,89

Profit and Loss Account for the period 01.04.2018 to 31.03.2019

Techno Design GmbH

	Financial year Euro	Prior year Euro
1. Sales	11.027.013,30	5.989.367,91
2. Gross revenue for the period	11.027.013,30	5.989.367,91
3. Other operating income		
a) Income from reversal of provisions	19.159,54	1.400,00
b) Miscellaneous other operating income	190.956,99	228.973,90
	210.116,53	230.373,90
- of which currency translation gains Euro 144.448,33 (Euro 204.410,17)		
4. Cost of materials		
a) Cost of raw materials, consumables and supplies and of purchased merchandise	8.991.522,22	4.582.917,05
b) Cost of purchased services	1.302.365,02	726.454,03
	10.293.887,24	5.309.371,08
5. Personnel expenses		
a) Wages and salaries	286.842,11	280.157,83
b) Social security, post-employment and other employee benefit costs	53.461,83	50.498,87
	340.303,94	330.656,70
6. Depreciation, amortisation and write-downs Amortisation and write-downs of intangible fixed assets and depreciation and write downs of tangible fixed assets	5.591,54	3.933,08
7. Other operating expenses		
a) Occupancy costs	52.266,83	48.484,63
b) Insurance premiums, fees and contributions	17.899,45	18.199,31
c) Cost of third-party repairs and maintenance	11.568,34	13.106,96
d) Vehicle fleet expenses	53.382,78	50.142,09
e) Advertising and travel expenses	117.004,39	104.835,02
f) Selling and distribution expenses	39.478,12	40.876,61
g) Miscellaneous operating costs	111.152,05	74.398,03
h) Losses on disposal of fixed assets	8,50	10,00
i) Losses on write-downs or on disposal of current assets and transfers to valuation allowances on receivables	4.796,85	13.478,35
j) Miscellaneous other operating expenses	183.471,45	143.530,89
	591.028,76	507.061,89
- of which currency translation losses Euro 183.396,97 (Euro 142.775,89)		
8. Other interest and similar income	2.649,13	2.570,06
9. Interest and similar expenses	12.959,21	0,00
10. Net income/net loss after tax	3.991,73-	71.289,12
11. Other taxes	1.179,22	784,28
12. Net loss for the financial year	5.170,95	70.504,84-

ASSETS

Account	Designation	Financial year Euro	Prior year Euro
	Other equipment, operating and office equipment		
0650	Office fittings	7.905,00	3.809,50
0670	Low-value assets	0,00	0,00
0690	Other operating and office equipment	16.492,00	1.020,00
		24.397,00	4.829,50
	Finished goods and merchandise		
1100	Merchandise (inventories)	13.737,73	47.245,74
1140	Merchandise (inventories)	91.422,30	39.598,33
		105.160,03	86.844,07
	Trade receivables		
1200	Trade receivables	3.189.487,52	2.259.224,55
1240	Doubtful receivables	5.112,18	5.112,18
1246	Spec valuatn allownces rec due w/in 1y	5.112,18-	5.112,18-
1258	invoiced prepayments (not yet received)	20.313,60-	0,00
9960	Valuation adjustmt, trade receivables	15.798,81	2.362,74-
		3.184.972,73	2.256.861,81
	Other assets		
1300	Other assets	11.171,43	3.699,03
1340	Receivables from employees (payroll)	5.000,00	0,00
1341	Rcvbls employees due w/in 1 year	0,00	200,00
1345	Rcvbls employees due > 1 year	340,06	0,00
1350	Security deposits	7.350,00	7.350,00
1360	Loans	88.756,51	86.107,38
1369	Rcvbls. health insurance funds AAG	1.189,44	0,00
1434	Input tax ded. following period/year	2.929,05	0,00
3300	Trade payables	26.689,12	2.065,81
		143.425,61	99.422,22
	of which due after more than one year Euro 340,06 (Euro 0,00)		
1345	Rcvbls employees due > 1 year		
	Cash-in-hand, central bank balances, bank balances and cheques		
1600	Cash-in-hand	929,61	51,19
1800	Sparkasse Krefeld	411.157,41	33.069,27
1820	Sparkasse Krefeld US$	276.904,51	90.282,92
		688.991,53	123.403,38
	Prepaid expenses		
1900	Prepaid expenses	12.736,47	8.903,78
	Deficit not covered by equity		
	Deficit not covered by equity	314.657,08	309.486,13
	Total assets	4.474.340,45	2.889.750,89

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	409.486,13-	479.990,97-
	Net loss for the financial year		
	Net loss for the financial year	5.170,95-	70.504,84
	Deficit not covered		
	Deficit not covered	314.657,08	309.486,13
	Other provisions		
3070	Other provisions	6.275,48	2.000,00
3074	Provisions for personnel expenses	4.694,12	35.997,96
3095	Provsns period-end closing/ audit costs	0,00	9.200,00
3096	Provsns for record retntn obligations	2.700,00	2.700,00
		13.669,60	49.897,96
	Trade payables		
3300	Trade payables	3.261.711,09	1.933.333,02
3349	Contra acc 3335-3348/3420-3449/3470-3499	902.779,07-	1.176.116,02-
9964	Valuation adjustmt, trade payables	6.591,62	377,02
		2.365.523,64	757.594,02
	of which due within one year Euro 2.365.523,64 (Euro 757.594,02)		
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.	695.720,89	329.642,38
3401	Liab. IC MTGL	351.374,17	451.547,05
3420	Trade payables IC Norwest	114.083,14	123.420,43
3421	Trade payables IC Techno Design HK Ltd.	906.051,39	1.168.425,92
3423	Trade pay. PDS Multinational South India	9.678,54	0,00
3424	liabil. Intercompany	8.384,25	0,00
		2.085.292,38	2.073.035,78
	of which due within one year Euro 2.085.292,38 (Euro 2.073.035,78)		
3400	Liab. IC Techno Design HK Ltd.		
3401	Liab. IC MTGL		
3420	Trade payables IC Norwest		
3421	Trade payables IC Techno Design HK Ltd.		
3423	Trade pay. PDS Multinational South India		
3424	liabil. Intercompany		
	Other liabilities		
1401	Deductible input tax, 7%	888,11-	493,87-
1406	Deductible input tax, 19%	77.741,87-	45.737,63-
1407	Dedctbl inpt tax sec 13b UStG 19%	0,00	2.274,50-
		78.629,98-	48.506,00-
Carry forward		4.464.485,62	2.880.527,76

Equity and liabilities

Account	Designation	Financial year Euro	Prior year Euro
Carry forward		4.464.485,62	2.880.527,76
		78.629,98-	48.506,00-
	Other liabilities		
1433	Acquisition tax liability	77.713,20-	9.960,21-
3500	Other liabilities	238,00	535,52
3720	Payroll liabilities	4.574,42	0,00
3730	Wage and church tax payables	4.305,71	3.781,01
3806	VAT, 19%	191.717,56	185.867,40
3820	VAT prepayment	22.013,64-	129.527,63-
3830	VAT prepayments 1/11	18.874,00-	13.402,00-
3837	VAT under section 13b UStG, 19%	0,00	2.274,50
3840	VAT, current year	7.083,08	18.746,28
3841	VAT, previous year	833,12-	585,74-
		9.854,83	9.223,13
	of which taxes Euro 5.042,41 (Euro 8.687,61)		
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 due within one year Euro 9.854,83 (Euro 9.223,13)		
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		
3720	Payroll liabilities		
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		
	Total Equity and liabilities	4.474.340,45	2.889.750,89

Account	Designation	Financial year Euro	Prior year Euro
	Sales		
4120	Tax-exempt sales, section 4 no.1a UStG	17.480,80	0,00
4125	Tx-xmpt intra-EU dlvrs 4 no. 1b UStG	61.250,00	0,00
4338	Tax-exempt sales 3rd country	10.019.491,40	4.973.301,18
4400	Revenue, 19% VAT	468.267,20	425.385,99
4401	Revenue, 19% VAT Sample Sale	257,99	226,05
4560	Commission revenue	3.116,20	65.363,69
4569	Commission revenue, 19% VAT	522.244,36	567.907,51
4700	Sales allowances	43.182,49-	10.634,26-
4720	Sales allowances, 19% VAT	2.417,47-	7.277,26-
4736	Cash discounts granted, 19% VAT	6,98-	13.066,69-
4743	Sales disc tax-xmpt intra-EU deliveries	1.837,50-	0,00
4760	Volume discounts granted, 19% VAT	17.650,21-	11.838,30-
		11.027.013,30	5.989.367,91
	Income from reversal of provisions		
4930	Income from reversal of provisions	19.159,54	1.400,00
	Miscellaneous other operating income		
4830	Other operating income	1.288,31	4.283,52
4840	Currency translation gains	144.448,33	204.410,17
4947	Allctd.oth.n-c bnfts provsn car, 19% VAT	37.829,27	15.436,35
4960	Prior - period income	2.404,86	0,00
4970	Insurance recoveries/compensation paymts	1.186,38	3.943,85
4972	Refunds AAG	3.799,84	900,01
		190.956,99	228.973,90
	of which currency translation gains Euro 144.448,33 (Euro 204.410,17)		
4840	Currency translation gains		
	Cost of raw materials, consumables and supplies and of purchased merchandise		
5200	Cost of merchandise	8.858.114,38	4.523.057,65
5401	Cost of merchandise, 19% input tax	74.906,03	0,00
5700	Trade discounts	49.560,56-	5.280,21
5800	Delivery costs	70.183,97	29.159,32
5840	Customs and import duties	37.878,40	25.419,87
		8.991.522,22	4.582.917,05
	Cost of purchased services		
5900	Purchased services	0,00	1.632,62
5906	Purchased services, 19% input tax	73.448,57	46.292,11
5909	Purchased services, no input tax	1.228.916,45	678.529,30
		1.302.365,02	726.454,03
	Wages and salaries		
6020	Salaries	283.258,96	236.833,36
6024	Mangng dir. salar. shrehldrs LLC (GmbH)	1.447,08	35.997,96
6035	Wages for marginal part-time work	0,00	5.830,34
6040	Flat-rate tax on casual labour wages	0,00	27,00
6069	Flat-rate tax on other benefits	1.036,48	419,13
6072	Non-cash bnft/ serv employees	1.099,59	1.050,04
		286.842,11	280.157,83
Carry forward		656.400,48	630.212,90

Account	Designation	Financial year Euro	Prior year Euro
Carry forward		656.400,48	630.212,90
	Social security, post-employment and other employee benefit costs		
6110	Statutory social security expenses	51.785,78	49.486,59
6120	Contrb. to occup. health/safety agency	1.676,05	1.012,28
		53.461,83	50.498,87
	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	3.364,09	2.243,19
6260	Immediate write-off of low-value assets	2.227,45	1.689,89
		5.591,54	3.933,08
	Occupancy costs		
6310	Rent (immovable property)	37.672,01	35.721,00
6315	Real property leases (immovable prop.)	7.641,10	5.999,60
6325	Gas, electricity, water	2.617,64	2.578,78
6330	Cleaning	2.245,17	2.131,26
6335	Maintenance of operating premises	2.090,91	2.053,99
		52.266,83	48.484,63
	Insurance premiums, fees and contributions		
6400	Insurance premiums	11.654,47	12.576,75
6420	Contributions	6.244,98	5.602,56
6436	Late filing penalties/ admin. fines	0,00	20,00
		17.899,45	18.199,31
	Cost of third-party repairs and maintenance		
6490	Other repairs and maintenance	590,43	420,00
6495	Hardware / software maintenance expenses	10.977,91	12.686,96
		11.568,34	13.106,96
	Vehicle fleet expenses		
6520	Motor vehicle insurance	8.628,15	7.175,50
6530	Current motor vehicle operat. costs	17.157,10	9.111,83
6540	Motor vehicle repairs	3.983,33	7.193,15
6560	Operating leases (motor vehicles)	22.672,92	25.629,14
6595	Third-party vehicle expenses	941,28	1.032,47
		53.382,78	50.142,09
	Advertising and travel expenses		
6600	Advertising costs	8.242,00	2.992,82
6611	N-c bnft. 3rd part., dedctlb, s.37b EStG	464,08	189,33
6621	Gifts, non-dedctbl, with s. 37b EStG	1.783,69	243,79
6640	Entertainment expenses	10.953,96	7.397,85
6643	Small gifts	2.514,81	1.777,59
6644	Non-deductible entertainm. expenses	4.694,55	3.170,50
6650	Employee travel expenses	86.508,21	89.063,14
6660	Employee trav. expn, accommodation costs	1.843,09	0,00
		117.004,39	104.835,02
Carry forward		345.225,32	341.012,94

Account	Designation	Financial year Euro	Prior year Euro
Carry forward		345.225,32	341.012,94
	Selling and distribution expenses		
6701	Samples	16.688,09	5.492,44
6740	Courier charges	22.790,03	35.384,17
		39.478,12	40.876,61
	Miscellaneous operating costs		
6300	Other operating expenses	0,00	20.947,67
6800	Postage	133,00	172,90
6805	Telephone	9.302,83	7.445,65
6810	Fax and Internet costs	128,38	154,42
6815	Office supplies	5.540,45	5.228,13
6820	Newspapers, books (specialist lit.)	712,34	591,84
6821	Training costs	11.207,69	0,00
6825	Legal and consulting costs	3.510,00	4.249,71
6827	Period-end closing and audit costs	12.319,50	11.966,00
6830	Bookkeeping costs	12.732,32	2.425,60
6840	Operating leases fr op./office equipment	2.586,00	2.047,02
6850	Other operating supplies	73,95	0,00
6855	Incidental monetary transaction costs	52.607,19	19.169,09
6859	Environmtl remed./ waste disposal expns	298,40	0,00
		111.152,05	74.398,03
	Losses on disposal of fixed assets		
6895	Disposals tngbl fxd ass. net carr. amnt.	8,50	6,00
6896	Dispsl intngbl fxd ass. net carr. amnt.	0,00	4,00
		8,50	10,00
	Losses on write-downs or on disposal of current assets and transfers to valuation allowances on receivables		
6923	Transfer spec. valuatn allownc rcvbls	0,00	5.112,18
6930	Bad debt allowances (normal amount)	4.796,85	8.366,17
		4.796,85	13.478,35
	Miscellaneous other operating expenses		
6880	Currency translation losses	183.396,97	142.775,89
6960	Prior-period expenses	74,48	755,00
		183.471,45	143.530,89
	of which currency translation losses Euro 183.396,97 (Euro 142.775,89)		
6880	Currency translation losses		
	Other interest and similar income		
7110	Other interest income	2.649,13	2.570,06
	Interest and similar expenses		
7305	Int. expns, sec 233a AO, deductible	397,00	0,00
7310	Interest expenses on short-term debt	12.562,21	0,00
		12.959,21	0,00
	Other taxes		
7685	Motor vehicle tax	1.179,22	784,28
Carry forward		5.170,95-	70.504,84

Account	Designation	Financial year Euro	Prior year Euro
Carry forward		5.170,95-	70.504,84
	Net loss for the financial year		
	Net loss for the financial year	5.170,95	70.504,84-

Appendices

General terms and conditions for German tax advisors *(Steuerberater, Steuerbevollmächtigte)* and firms of tax advisors *(Steuerberatungsgesellschaften)*

as of July 2018

These "general terms and conditions" shall govern contracts between German qualified 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]* [hereinafter "**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 and, subject to the prerequisites of sect. 62a StBerG, also external service providers (in particular data-processing companies) for purposes of carrying out the engagement. The bringing-in of third-party experts (e.g. other Tax Advisors, auditors, German qualified attorneys *[Rechtsanwälte]*) shall require consent and instruction on the part of the client. Without having been instructed by the client, the Tax Advisor shall be neither entitled nor obliged to bring in such third parties.

3a. Electronic communication, data protection[1)]

(1) In the context of the engagements, the Tax Advisor shall be entitled to electronically collect personal data of the client 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 EU General Data Protection Regulation (hereinafter "**GDPR**") and 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) To the extent that the client wants to communicate with the Tax Advisor via a fax line or an e-mail address, the client must share in the costs for setting up and maintaining the use of signature procedures and encryption procedures of the Tax Advisor (e.g. for acquiring and setting up any necessary software and/or hardware).

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)* (hereinafter "**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 'persons employed in performing a contractual obligation for whom the Tax Advisor is vicariously liable' *[Erfüllungsgehilfen]* [hereinafter the '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 [2)] (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 as well as for partners

1) Moreover, for purposes of the processing of personal data, a legal basis under art. 6 EU General Data Protection Regulation ("GDPR") must be applicable. That norm merely lists the legal bases for a lawful processing of personal data. In addition, the Tax Advisor must fulfill the duty to provide certain information, under sects. 13 or 14 GDPR, by way of furnishing additional information. In this regard please note the comments and explanations contained in the instruction leaflet regarding forms no. 1005 "data-protection information for clients" and no. 1006 "data-protection information regarding the processing of staff data".

2) 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 clause 5 needs to be deleted. In that case it must be seen to it that the liability-related agreement to be reached in the form of an individual contract contain a provision that corresponds to clause 5(2). Please also refer to the further comments contained in instruction leaflet no. 1001.

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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 BGB 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 StBerG shall be determined pursuant to the German Regulation on Tax Advisors' Fees *(Steuerberatervergütungsverordnung – StBVV)* (hereinafter **"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) StBVV).

(2) For activities not dealt with in the Regulation on Fees (e.g. sect. 57(3) nos. 2 and 3 StBerG), 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) BGB).

(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 BGB, 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) BGB; 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) StBerG).

(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 StBerG).

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]*).[3]

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.

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3) 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.

ZAMIRA FASHION LIMITED

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

LOUIS LAI & LUK CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS

ZAMIRA FASHION LIMITED

CONTENTS

ZAMIRA FASHION LIMITED

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their annual report and the annual audited consolidated financial statements of the Group for the year ended March 31, 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company is trading of garment. The principal activities and other particulars of the subsidiaries are set out in the Note (18a) to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Company and its subsidiary (the "Group") for the year ended March 31, 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 7.

The directors recommend the payment of a final dividend of HK$3,244,322 (2018: HK$1,785,837).

SHARE CAPITAL

Details of share capital of the Group are set out in Note (17) to the consolidated financial statements.

PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (10) to the consolidated financial statements.

DIRECTORS

The directors of the Group during the year and up to the date of this 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 transactions as disclosed in Note (20) 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.

ZAMIRA FASHION LIMITED

REPORT OF THE DIRECTORS (CONT'D)

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 for the benefit of the directors was in force during the year and up to the date of this report.

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, 2019 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 28, 2019.

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 41, which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of profit or loss and other 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, 2019, 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.

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 (CONT'D)
TO THE MEMBERS OF
ZAMIRA FASHION LIMITED
(incorporated in Hong Kong with limited liability)

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
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 (CONT'D)
TO THE MEMBERS OF
ZAMIRA FASHION LIMITED
(incorporated in the Hong Kong with limited liability)

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 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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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
ZAMIRA FASHION 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, May 28, 2019.

ZAMIRA FASHION LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
REVENUE	(5)	454,770,384	289,571,445
PURCHASE AND RELATED COSTS		(405,053,669)	(254,822,520)
GROSS PROFIT		49,716,715	34,748,925
OTHER INCOME AND GAINS	(5)	14,339,758	12,994,184
STAFF COSTS		(20,734,934)	(18,538,745)
DEPRECIATION EXPENSES		(965,903)	(1,146,911)
OTHER OPERATING EXPENSES		(27,225,575)	(19,675,091)
PROFIT FROM OPERATIONS		15,130,061	8,382,362
FINANCE COSTS	(6)	(2,342,255)	(1,961,044)
PROFIT BEFORE TAXATION	(7)	12,787,806	6,421,318
TAXATION	(9)	(1,956,108)	(1,205,474)
PROFIT FOR THE YEAR		10,831,698	5,215,844
OTHER COMPREHENSIVE INCOME			
Item that may be reclassified to profit or loss			
- Exchange difference on translating foreign operations		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,831,698	5,215,844

THE NOTES ON PAGES 11 TO 41 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

ZAMIRA FASHION LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
Non-Current Assets			
Plant and equipment	(10)	3,644,752	3,960,091
Current Assets			
Inventories	(11)	10,247,552	12,562,908
Deposits and prepayment		1,580,440	2,271,657
Amounts due from fellow subsidiaries	(12)	13,623,425	13,778,113
Amount due from a director	(12)	3,610,332	3,226,140
Trade and other receivables	(13)	60,837,652	32,506,598
Tax recoverable		-	129,859
Cash and cash equivalents		17,943,667	3,414,049
		107,843,068	67,889,324
Current Liabilities			
Amount due to fellow subsidiaries	(14)	3,601,406	2,217,635
Trade and other payables	(15)	38,545,143	16,764,767
Secured bank borrowings	(16)	44,934,907	37,429,847
Provision for taxation		1,261,707	-
		88,343,163	56,412,249
Net Current Assets		19,499,905	11,477,075
NET ASSETS		23,144,657	15,437,166
EQUITY			
Share capital	(17)	1,945,000	1,945,000
Retained earnings		21,157,016	13,569,640
Translation reserve		42,641	(77,474)
TOTAL EQUITY		23,144,657	15,437,166

APPROVED BY THE BOARD OF DIRECTORS ON MAY 28, 2019 AND SIGNED ON BEHALF OF THE BOARD BY:

Thomas MUELLER
Director

Pallak SETH
Director

THE NOTES ON PAGES 11 TO 41 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

ZAMIRA FASHION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2019

	Share capital	Translation reserve	Retained earnings	Total
	HK$	HK$	HK$	HK$
At April 1, 2017	1,945,000	(15,021)	10,139,633	12,069,612
Profit for the year	-	-	5,215,844	5,215,844
Exchange difference on translating foreign operations	-	(62,453)	-	(62,453)
Dividend	-	-	(1,785,837)	(1,785,837)
At March 31, 2018 and April 1, 2018	1,945,000	(77,474)	13,569,640	15,437,166
Profit for the year	-	-	10,831,698	10,831,698
Exchange difference on translating foreign operations	-	120,115	-	120,115
Dividend	-	-	(3,244,322)	(3,244,322)
At March 31, 2019	1,945,000	42,641	21,157,016	23,144,657

THE NOTES ON PAGES 11 TO 41 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

ZAMIRA FASHION LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
	HK$	HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	12,787,806	6,421,318
Adjustment for:		
Bank interest income	(6,252)	(769)
Bank interest expenses	2,342,255	1,961,044
Depreciation	965,903	1,146,911
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	16,089,712	9,528,504
Decrease/(Increase) in inventories	2,315,356	(4,043,537)
Decrease/(Increase) in deposits and prepayment	691,217	(1,346,044)
(Increase)/Decrease in trade and other receivables	(28,331,054)	21,465,385
Net receipts from/(payments to) fellow subsidiaries	1,538,459	(13,917,412)
Net payment to a director	(384,192)	(1,825,740)
Increase in trade and other payables	21,780,376	573,907
CASH GENERATED FROM OPERATIONS	13,699,874	10,435,063
Bank interest received	6,252	769
Hong Kong profits tax paid	(564,542)	(1,676,342)
Interest paid	(2,342,255)	(1,961,044)
Net cash generated from operating activities	10,799,329	6,798,446
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment and net cash used in investing activities	(650,564)	(1,089,983)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from/(payments to) secured bank borrowings	7,505,060	(1,450,040)
Dividend paid	(3,244,322)	(1,785,837)
Net cash generated from/(used in) financing activities	4,260,738	(3,235,877)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,409,503	2,472,586
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,414,049	1,003,916
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	120,115	(62,453)
CASH AND CASH EQUIVALENTS AT END OF YEAR	17,943,667	3,414,049

THE NOTES ON PAGES 11 TO 41 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. 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 ("HKICPA"), 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 Group'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 (4) to the consolidated financial statements.

b. Changes in Accounting Policies and Disclosures

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group, of these the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9, Financial instruments;
(ii) HKFRS 15, Revenue from contracts with customers;

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Group has applied HKFRS 9 retrospectively to items that existed at April 1, 2018 in accordance with the transition requirements and there is no material effect of Group's financial results and financial position.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

A. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-tomaturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes (2g) and (2h).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at April 1, 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset at FVOCI or FVPL or financial liability at FVPL at April 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)

B. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at April 1, 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at April 1, 2018 (the date of initial application of HKFRS 9 by the company):
  - the determination of the business model within which a financial asset is held; and
  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at April 1, 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before April 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

A. Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

B. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in abvance.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

C. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis

The adoption of HKFRS15 does not have a significant impact on the presentation of Group's contract assets and liabilities.

c. Plant and Equipment

An item of plant and equipment is stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of 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 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 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 a straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life, as follows:

Leasehold improvement	3 years
Furniture and fixtures	3 years
Office equipment	3 years
Motor vehicle	3 years
Plant and machinery	3 years

An item of plant and equipment and 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 arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

d. Basis of Consolidation

The consolidated financial statements include the financial statements of the Group and its subsidiaries made up to March 31, 2019. 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.

In the Company's statement of financial position, the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Group on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

e. Inventories

Inventories are assets which are held for sale in the ordinary course of business.

Inventories of the Group are goods in transit as at year end.

Inventories are carried at the lower of cost and net realisable value, after making due allowance for any obsolete or slow moving items.

Net realisable 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 expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

f. Impairment of Non-Financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current 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 other than goodwill 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 consolidated statement of profit or loss in the period in which it arises, (only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

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 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.

h. Financial Assets

The Group's financial assets are only classified under *Financial assets carried at amortised cost* category, including trade and other receivables, deposits, amount due from fellow subsidiaries and a director and cash and cash equivalents.

Financial assets carried at amortised cost

(i) Initial recognition and measurement

All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

(ii) Subsequent measurement

At the end of each reporting period subsequent to initial recognition, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method, less 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 amortisation is included in finance income in the consolidated statement of profit or loss. The losses arising from impairment are recognised in the consolidated statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Assets (Cont'd)

(iii) Derecognition (Cont'd)

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 risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all of 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.

(iv) Impairment of financial assets

The Group assesses, at each reporting date, 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 the debtors 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.

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 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Assets (Cont'd)

(iv) Impairment of financial assets (Cont'd)

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated 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 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 write-off is later recovered, the recovery is credited to finance costs in the consolidated statement of profit or loss.

i. Financial Liabilities

Financial liabilities carried at amortised cost

The Group's financial liabilities are classified under *Financial liabilities carried at amortised cost*, including trade and other payables, secured bank borrowings and amounts due to fellow subsidiaries.

(i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

(ii) Subsequent measurement

After initial recognition, financial liabilities carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method. 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 as finance costs in the consolidated statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

(iii) 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 consolidated statement of profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

j. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated 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.

k. Contract Assets and Contract Liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional.

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

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

l. Trade and Other Receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less impairment losses.

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. Trade and Other Payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

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 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 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 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. No deferred tax asset has been recognised on the unused tax losses due to the infeasibility to predict the availability of future taxable profit for offsetting such deductible timing differences.

Deferred tax, if material, is charged or credited in the consolidated statement of profit or loss and other comprehensive income.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

q. Revenue Recognition

Income is classified by the Group as revenue when it arises from the sale of goods in the ordinary course of the Group's business.

Revenue is recognised when control over a product is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amount collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

- Revenue from sales of goods is recognised when the customers take possession of and accept the products.
- 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

t. 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 asset is (or those assets are) not explicitly specified in an arrangement.

Group as a lessee

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 Group is classified as a 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 consolidated statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group 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.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss on a straight-line basis over the lease term.

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 profit or loss.

No provision on employees' entitlements to unconsumed annual leaves as of the end of reporting period is provided in the financial statement 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.

v. Retirement Benefit Costs

The Group's contributions to the mandatory provident fund scheme are charged to the statement of profit or loss as incurred.

The Group's employees who have completed the required number of years of service to the Group are eligible for long service payments in the event of the termination of their employment.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

v. Retirement Benefit Costs (Cont'd)

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the end of reporting period.

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 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 parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. 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 manages its capital structure and makes adjustments to it in light of changes in economic conditions. 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. No changes in the objectives, policies or processes for managing capital were made during the years ended March 31, 2019 and March 31, 2018.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected 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 Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

5. REVENUE, OTHER INCOME AND GAINS

	2019	2018
Revenue, other income and gains recognised during the year including revenue arising from:	HK$	HK$
Revenue:		
Sales of goods	454,770,384	289,571,445
Other income and gains:		
Bank interest income	6,252	769
Claims and penalty to supplier	12,294,727	2,469,834
Commission income	1,433,612	4,462,525
Sundry income	44,275	2,847
Exchange gain, net	560,892	6,058,209
	14,339,758	12,994,184
Total revenue recognised	469,110,142	302,565,629

6. FINANCE COSTS

Bank interest	2,342,255	1,837,669
Other interest paid	-	123,375
	2,342,255	1,961,044

7. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting):

Auditors' remuneration	117,931	151,211
Depreciation	965,903	1,146,911
Exchange gain, net	(560,892)	(6,058,225)
Rental payments under operating leases	1,252,670	1,279,489
Staff costs (including directors' remuneration)		
- Salaries and allowance	20,036,685	17,949,405
- Mandatory provident fund contribution	211,366	192,009
- Staff welfare expenses	486,883	397,331

8. DIRECTORS' REMUNERATION

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 follows:

	2019	2018
	HK$	HK$
Emoluments:		
Acting as directors	1,200,000	1,200,000
Provision of management services		
Retirement benefits	18,000	18,000
	1,218,000	1,218,000

9. TAXATION

Hong Kong profits tax has been provided at a reduced rate of 8.25% on the first HK$2 million of estimated assessable profits for the year, and the remaining amount will be subjected to the rate of 16.5%.

In the year of assessment of 2017/18, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits.

No deferred tax has been recognised in the financial statements on the grounds that the deductible temporary differences of the Company for the current and previous years are negligible in comparison to the Company's overall financial position.

	2019	2018
	HK$	HK$
Current - Hong Kong:		
Tax charge for the year	2,135,734	1,160,537
Current - Overseas:		
Tax charge for the year	(179,626)	44,937
	1,956,108	1,205,474

9. TAXATION (CONT'D)

The tax charge for the year can be reconciled to the profit per consolidated statement of comprehensive income as follows:

	2019	2018
	HK$	HK$
Profit before taxation	12,787,806	6,421,318
Tax at the domestic income tax rate (2018:16.5%)	2,109,988	1,059,517
Tax effect non-deductible expenses	107,126	141,472
Tax effect of non-taxable revenue	(81,380)	(40,452)
Deemed income subject to overseas taxation	(179,626)	44,937
Taxation change for the year	1,956,108	1,205,474

10. PLANT AND EQUIPMENT

	Leasehold Improvement	Furniture and Fixtures	Office Equipment	Motor Vehicle	Plant and Machinery	Total
	HK$	HK$	HK$	HK$	HK$	HK$
Cost						
At 1/4/2017	2,245,381	851,900	1,441,704	1,065,009	3,064,849	8,668,843
Additions	712,190	108,313	269,480	-	-	1,089,826
At 31/3/2018	2,957,571	960,213	1,711,184	1,065,009	3,064,849	9,758,826
Additions	114,303	33,525	175,039	-	327,697	650,564
Disposal	-	-	(9,635)	-	-	(9,635)
At 31/3/2019	3,071,874	993,738	1,876,588	1,065,009	3,392,546	10,399,755
Accumulated Depreciation						
At 1/4/2017	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
Charge for the year	348,341	56,862	187,341	-	373,359	965,903
Written back on disposal	-	-	(9,635)	-	-	(9,635)
At 31/3/2019	2,549,910	892,255	1,563,960	1,064,902	683,976	6,755,003
Net Carrying Amount						
At 31/3/2019	521,964	101,483	312,628	107	2,708,570	3,644,752
At 31/3/2018	756,002	124,820	324,930	107	2,754,232	3,960,091

11. INVENTORIES

	2019	2018
	HK$	HK$
Finished goods	10,247,552	12,562,908

12. AMOUNTS DUE FROM FELLOW SUBSIDIARIES/A DIRECTOR

Amounts due from fellow subsidiaries/a director 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 (Cap 622) are as follows:

		Outstanding principal		
Name of borrower	Relationship	At beginning of year	At end of year	Maximum outstanding
		HK$	HK$	HK$
Thomas MUELLER	Director	3,226,140	3,610,332	3,610,332
Norwest Industries Ltd., Hong Kong	Fellow subsidiary [1]	-	9,874,048	9,874,048
PDS Far East Limited	Fellow subsidiary [1]	-	2,397,772	2,397,772
Poeticgem International Limited	Fellow subsidiary [1]	13,734,696	1,351,605	13,734,696
Simple Approach Limited	Fellow subsidiary [1]	42,367	-	42,367
PDS Asia Star Corporation Limited	Fellow subsidiary [1]	1,050	-	1,050
		13,778,113	13,623,425	

[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.

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$	HK$
Trade receivables (Note)	60,655,285	31,803,352
Other receivables	182,367	703,066
	60,837,652	32,506,598

Note: Aging analysis of trade receivables is as follows:

	2019	2018
Neither past due nor impaired	50,836,254	31,803,352
Past due but not impaired	9,819,031	-
	60,655,285	31,803,352

Trade receivables are due within 30-120 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.

15. TRADE AND OTHER PAYABLES

	2019	2018
	HK$	HK$
Trade payable (Note)	27,452,337	13,476,770
Accruals expenses	11,092,806	3,287,997
	38,545,143	16,764,767

Note: Maturity of trade payable is as follows:

Due for payment within one year	27,452,337	13,476,770

Trade payables are non-interest bearing and have no fixed credit terms.

16. SECURED BANK BORROWINGS

The carrying amount of the secured bank borrowings at the end of reporting period is analyzed as follows:

	2019	2018
	HK$	HK$
Amount repayable within one year:		
Clean import loans	25,953,517	15,782,399
Trust receipt loans	18,981,390	21,647,448
	44,934,907	37,429,847

17. SHARE CAPITAL

	2019		2018	
	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.

ZAMIRA FASHION LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	2019	2018
		HK$	HK$
Non-Current Assets			
Plant and equipment		1,150,500	1,197,340
Investments in subsidiaries	(18a)	3,596,400	3,596,400
		4,746,900	4,793,740
Current Assets			
Inventories		10,247,552	12,562,908
Trade and other receivables		60,791,865	31,628,683
Deposits and prepayment		1,580,440	2,080,344
Amounts due from fellow subsidiaries		13,623,425	13,778,114
Amount due from a subsidiary	(18b)	3,608	933,243
Amount due from a director		3,610,332	3,226,140
Tax recoverable		-	135,281
Cash and cash equivalent		17,462,375	3,052,111
		107,319,597	67,396,824
Current Liabilities			
Trade and other payables		38,222,129	16,106,302
Amount due to a subsidiary	(18b)	40,100	46,400
Amounts due to fellow subsidiaries		3,601,407	2,217,635
Secured bank borrowings		44,934,907	37,429,847
Provision for taxation		1,257,628	-
		88,056,171	55,800,184
Net Current Assets		19,263,426	11,596,640
NET ASSETS		24,010,326	16,390,380
EQUITY			
Share capital		1,945,000	1,945,000
Retained earnings	(19)	22,065,326	14,445,380
TOTAL EQUITY		24,010,326	16,390,380

APPROVED BY THE BOARD OF DIRECTORS ON MAY 28, 2019 AND SIGNED ON BEHALF OF THE BOARD BY:

Thomas MUELLER
Director

Pallak SETH
Director

18. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

(a) Particulars of subsidiaries

Name of subsidiary	Place of incorporation	Percentage of ownership and voting power		Nature of business
		2019	2018	
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 from/to a subsidiary is interest-free, unsecured and has no fixed repayment terms.

19. MOVEMENT IN THE RESERVES OF THE COMPANY

	Retained Earnings
	HK$
Balance at April 1, 2017	10,616,073
Profit for the year and total comprehensive income for the year	5,615,144
Dividend	(1,785,837)
Balance at March 31, 2018	14,445,380
Profit for the year and total comprehensive income for the year	10,864,268
Dividend	(3,244,322)
At March 31, 2019	22,065,326

20. 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 transaction	2019	2018
			HK$	HK$
Norwest Industries Ltd., Hong Kong	Fellow subsidiary	- Rental expenses	781,515	857,520
		- Interest expenses	-	301,158
		- Recharge income	3,941,862	4,353,527
		- Recharge expense	3,797,502	2,597,892
Poeticgem Ltd., UK	Fellow subsidiary	- Sample expenses	-	662,156
		- Recharge income	-	17,096
		- Recharge expense	1,765,673	2,300,613
SSY Asia Limited., Hong Kong	Related company [1]	- Consultancy fee	600,000	600,000
Multinational Textile Group Ltd., Mautitius	Immediate holding company	- Management and service fee	1,283,700	1,050,300
		- Security system	77,800	140,040
PDS Asia Star Corporation Limited	Fellow subsidiary	- Recharge income	630,180	560,160
		- Recharge expense	15,080	1,169
PDS Far East USA	Fellow subsidiary	- Sales income	3,426,191	-
Green Apparel Industies Limited	Fellow subsidiary	- Sample expenses	-	116,700
Global Textile Group Limited	Fellow subsidiary	- Sample expenses	1,994,380	1,806,205
Simple Approach Limited Hong Kong	Fellow subsidiary	- Recharge income	680,893	675,732
		- Recharge expense	1,632	85,689
Spring Near East Manufacturing Co., Limited	Fellow subsidiary	- Other interest paid	-	82,915
Poeticgem International Limited	Fellow subsidiary	- Commission income	1,433,612	4,462,525

[1] Connected with Thomas MUELLER who is a controlling director of the captioned company.

21. CONTINGENT LIABILITIES

(a) The Group had the following contingent liabilities not provided for in the consolidated financial statements at the end of reporting period:

	2019	2018
	HK$	HK$
Irrevocable letters of credit	32,938,190	41,053,110
	========	========

(b) At the end of reporting period, there were mutual guarantees between the Group and its fellow subsidiaries.

22. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Group's principal financial instrument comprises cash and cash equivalents. The main purpose of the financial instrument is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group operates internationally and is primarily exposed to foreign exchange risk arising from currency exposures of the United States dollars, with respect to the Hong Kong dollar. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

22. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk (Cont'd)

(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 related.

2019 (Expressed in HK$)

	USD	CHF	EUR	GBP	BDT	RMB	Total
Trade and other receivables	62,565,717	-	44,620,241	-	42,221	-	107,228,179
Cash and cash equivalents	6,538,173	820	8,789,015	76,197	725,670	481,292	16,611,167
Trade and other payables	(32,765,369)	(116,700)	(1,620,655)	(135,644)	(437,005)	(923,008)	(35,998,381)
Secured bank borrowings	(60,888,861)		(30,576,718)				(91,465,579)
Net exposure arising from recognised assets and liabilities	(24,550,340)	(115,880)	21,211,883	(59,447)	330,886	(441,716)	(3,624,614)

2018 (Expressed in HK$)

	USD	CHF	EUR	GBP	BDT	RMB	Total
Trade and other receivables	26,005,837	-	6,012,882	-	-	-	32,018,719
Cash and cash equivalents	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)	-	-	-	(37,429,847)
Net exposure arising from recognised assets and liabilities	(11,519,010)	1,620	(4,641,824)	141,833	401,919	(283,477)	(15,898,939)

22. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Foreign 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.

	2019		2018	
	Increase	Decrease	Increase	Decrease
	HK$	HK$	HK$	HK$
Swuss Franc (CHF)	9,657	(9,657)	135	(135)
Euro (EUR)	1,771,191	(1,771,191)	387,592	(387,592)
British Pound (GBP)	4,964	(4,964)	11,843	(11,843)
Bangladeshi Taka (BDT)	27,629	(27,629)	33,560	(33,560)
Chinese Yuan (RMB)	36,883	(36,883)	23,670	(23,670)
	1,850,324	(1,850,324)	456,800	(456,800)

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 2018.

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group has policies that limit the amount of credit exposure to any financial institution.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

22. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Interest rate risk

The Group has no significant interest bearing assets except secured bank borrowings. Its expenses and operating cash flows are substantially independent of changes in market interest rates. Carrying amounts of financial liabilities as at March 31 that exposed to interest rate risks were as follows:

	2019	2018
	HK$	HK$
Clean import loans	25,953,517	15,782,399
Trust receipts loans	18,981,390	21,647,448
	44,934,907	37,429,847

Sensitivity analysis

At March 31, 2019, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, interest income and profit before taxation for the year ended March 31, 2019 would increase/decrease by a net amount of HK$4,493,491 (2018: HK$3,742,985). The carrying amount of financial asset/liability measured at amortized cost and the carrying amount of financial asset/liability bearing interest rate measured at fair value would not be affected by the assumed 100 basis points increase/decrease in interest rate.

Although a financial asset or financial liability may be subject to interest rate risk, its carrying amount may not necessarily be affected by the assumed 100 basis points increase in market interest rates.

23. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended March 31, 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	January 1, 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	January 1, 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	January 1, 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	January 1, 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.

24. BANKING FACILITIES

General banking facilities granted by various banks were secured by ultimate holding group's, immediate holding company's, fellow subsidiaries', and related company's corporate guarantee, directors' personal guarantee, bank guarantee and fellow subsidiary's properties.

25. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Company's Board of Directors on May 28, 2019.

Report of the Directors and Audited Financial Statements

Clover Collections Limited

31 March 2019

EY 安永

Building a better working world

CERTIFIED TRUE COPY

ERNST & YOUNG

CLOVER COLLECTIONS LIMITED

CONTENTS

CLOVER COLLECTIONS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2019.

Principal activity

The principal activity of the Company for the year ended 31 March 2019 is the trading of garments. The Company was inactive during the year ended 31 March 2018.

Results

The Company's loss for the year ended 31 March 2019 and its financial position at that date are set out in the financial statements on pages 6 to 27.

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, the 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

....
Pallak Seth
Chairman

Hong Kong
28 May 2019

EY 安永

Independent auditor's report
To the member of Clover Collections 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 27, which comprises the statement of financial position as at 31 March 2019, 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 2019, 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.

EY 安永

Independent auditor's report (continued)
To the member of Clover Collections 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.

EY 安永

Independent auditor's report (continued)
To the member of Clover Collections 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.

Ernst & Young
Certified Public Accountants
Hong Kong
28 May 2019

CLOVER COLLECTIONS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
REVENUE	4	55,417,619	-
Cost of sales		(50,038,994)	-
Gross profit		5,378,625	-
Other income and gain	4	3,090,540	77,681
Selling and distribution expenses		(356,028)	-
Administrative expenses		(9,280,795)	(28,737)
Other operating expenses		-	(2,710)
Finance costs	6	(58,485)	-
PROFIT/(LOSS) BEFORE TAX	5	(1,226,143)	46,234
Income tax expense	8	-	-
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		(1,226,143)	46,234

CLOVER COLLECTIONS LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$	2018 HK$
CURRENT ASSETS			
Trade receivables	9	14,787,298	-
Prepayments		38,608	26,938
Due from a fellow subsidiary	12(b)	-	115,200
Cash and cash equivalents		16,811	2,804
Total current assets		14,842,717	144,942
CURRENT LIABILITIES			
Trade payables		23,442,509	-
Accruals	10	228,012	21,950
Due to the immediate holding company	12(b)	5,327,803	18,239,697
Due to an intermediate holding company	12(b)	46,680	-
Due to fellow subsidiaries	12(b)	6,917,999	26,938
Loans from the immediate holding company	12(c)	-	1,750,500
Total current liabilities		35,963,003	20,039,085
Net liabilities		(21,120,286)	(19,894,143)
EQUITY			
Share capital	11	1,556,000	1,556,000
Accumulated losses		(22,676,286)	(21,450,143)
Net deficiency in assets		(21,120,286)	(19,894,143)

....

Pallak Seth
Director

....

Deepak Kumar Seth
Director

CLOVER COLLECTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Share capital HK$	Accumulated losses HK$	Net deficiency in assets HK$
At 1 April 2018	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 and 1 April 2018	1,556,000	(21,450,143)	(19,894,143)
Loss and total comprehensive loss for the year	-	(1,226,143)	(1,226,143)
At 31 March 2019	1,556,000	(22,676,286)	(21,120,286)

CLOVER COLLECTIONS LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		(1,226,143)	46,234
Adjustments for:			
Finance costs	6	58,485	-
Impairment of trade receivables	9	43,011	-
		(1,124,647)	46,234
Increase in trade receivables		(14,830,309)	-
Increase in prepayments		(11,670)	(26,938)
Decrease/(increase) in an amount due from a fellow subsidiary		115,200	(115,200)
Increase in trade payables		23,442,509	-
Increase/(decrease) in accruals		206,062	(71,331)
Decrease in an amount due to the immediate holding company		(12,911,894)	-
Increase in amounts due to fellow subsidiaries		6,891,061	26,938
Increase in an amount due to an intermediate holding company		46,680	-
Cash generated from/(used in) operations		1,822,992	(140,297)
Interest paid		(58,485)	-
Net cash flows from/(used in) operating activities		1,764,507	(140,297)
CASH FLOW USED IN A FINANCING ACTIVITY			
Decrease in loans from the immediate holding company		(1,750,500)	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		14,007	(140,297)
Cash and cash equivalents at beginning of year		2,804	143,101
CASH AND CASH EQUIVALENTS AT END OF YEAR		16,811	2,804
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		16,811	2,804

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.

During the year, the Company was engaged in the trading of garments. The Company was inactive during the year ended 31 March 2018.

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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKFRS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Annual Improvements 2014-2016 cycle	Amendments to HKFRS1 and HKAS 28

The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Company has applied prospectively, the Company has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement
The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

	HKAS 39 measurement			HKFRS 9 measurement	
	Category	Amount	ECL	Amount	Category
		HK$	HK$	HK$	
Financial assets					
Due from a fellow subsidiary	L&R[1]	115,200	-	115,200	AC[2]
Cash and cash equivalents	L&R	2,804	-	2,804	AC
		118,004	-	118,004	
Financial liabilities					
Accruals	AC	21,950	-	21,950	AC
Loans from the immediate holding company	AC	1,750,500	-	1,750,500	AC
Due to the immediate holding company	AC	18,239,697	-	18,239,697	AC
Due to a fellow subsidiary	AC	26,938	-	26,938	AC
		20,039,085	-	20,039,085	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, establishes a new five-step model to account for 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 assets and liabilities account balances between periods and key judgements and estimates.

The disclosures are included in note 4 to the financial statements. The standard will supersede all current revenue recognition requirements under HKFRSs. As a result of the application of HKFRS 15, the Company has changed the accounting policy with respect to revenue recognition in note 2.5 to the financial statements.

The Company has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was not significant to the Company's financial statements. The Comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

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

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[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 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 Company's financial statements.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under HKFRS 9 applicable from 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 financial assets at amortised cost (debt instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under HKAS 39 applicable before 1 April 2018)
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(policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)
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 (policies under HKFRS 9 applicable from 1 April 2018)
The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
Simplified approach
For trade receivables that do not contain a significant financing component or when the Company applies the practical expedient of not adjusting the effect of a significant financing component, the Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)
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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
Initial recognition and measurement
Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

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 payables and accruals and amounts due to affiliates.

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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.5 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 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 from contracts with customers
Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from the sale of garments is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the garments.

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 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)

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.

Provision for expected credit losses on trade receivables
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 9 to the financial statements.

4. REVENUE, OTHER INCOME AND GAIN

Revenue represents the net invoiced value of goods sold.

(i) Disaggregated revenue information
The Company's entire revenue of goods transferred is recognised at a point in time.

(ii) Performance obligations
Information about the Company's performance obligations is summarised below:

Sale of garment products
The performance obligation is satisfied upon delivery of the garment products is generally due with 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

4. REVENUE, OTHER INCOME AND GAIN (continued)

An analysis of revenue and other income and gain is as follows:

	2019 HK$	2018 HK$
Revenue from contracts with customers		
Sale of goods	55,417,619	-
Other income and gain		
Handling fee income	2,754,598	-
Penalties from suppliers	312,115	-
Foreign exchange differences, net	23,827	-
Reversal of over-accrual of expenses	-	77,681
	3,090,540	77,681

5. PROFIT/(LOSS) BEFORE TAX

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

	Note	2019 HK$	2018 HK$
Auditor's remuneration		18,960	15,800
Impairment of trade receivables	9	43,011	-
Foreign exchange differences, net		(23,827)	-

6. FINANCE COSTS

	2019 HK$	2018 HK$
Interest on trust receipt loan	58,485	-

7. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Company during the year (2018: 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 2019 (2018: Nil).

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax using the Hong Kong statutory tax rate of 16.5% (2018: 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:

	2019		2018	
	HK$	%	HK$	%
Profit/(loss) before tax	(1,226,143)		46,234	
Tax expense/(credit) at the statutory tax rate	(202,314)	(16.5)	7,629	16.5
Income not subject to tax	-	-	(7,629)	(16.5)
Tax losses not recognised	202,314	16.5	-	-
Tax at the effective tax rate	-	-	-	-

As at the end of the reporting period, the Company had unused tax losses of HK$22,723,005 (2018: 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.

9. TRADE RECEIVABLES

	2019	2018
	HK$	HK$
Trade receivables	14,830,309	-
Impairment	(43,011)	-
	14,787,298	-

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.

9. TRADE RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 HK$	2018 HK$
At beginning of year	-	-
Impairment losses (note 5)	43,011	-
At end of year	43,011	-

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

As at 31 March 2019

		Pass due		
	Current	Less than 1 month	1 to 3 months	Total
Expected credit loss rate	0.29%	0.29%	0.29%	0.29%
Gross carrying amount (HK$)	14,637,287	52,704	140,318	14,830,309
Expected credit losses (HK$)	42,449	154	408	43,011

10. ACCRUALS

	2019 HK$	2018 HK$
Accruals	228,012	21,950

11. SHARE CAPITAL

	2019	2018
	HK$	HK$
Issued and fully paid:		
200,000 (2018: 200,000) ordinary shares	1,556,000	1,556,000

12. 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 2019 and 31 March 2018.

(b) The balances with an intermediate holding company, the immediate holding company and fellow subsidiaries are unsecured, interest-free and repayable on demand.

(c) The loans from the immediate holding company is unsecured, interest-free and repayable on demand.

13. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade receivables and cash and cash equivalents which are categorised as financial assets at amortised cost (2018: 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, an intermediate holding company and fellow subsidiaries and loans 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.

14. 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.

15. 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 Company's cash and cash equivalents are held in a major financial institution, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 March 2019
The table below shows the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts of the financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Simplified approach HK$	HK$
Trade receivables*	-	-	-	14,830,309	14,830,309
Cash and cash equivalents					
- Not yet past due	16,811	-	-	-	16,811
	16,811	-	-	14,830,309	14,847,120

* For trade receivables to which the Company applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 9 to the financial statements.

Maximum exposure as at 31 March 2018
The carrying amounts of 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. All of the Company's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

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 are repayable on demand or are repayable within three months subsequent to the end of the reporting period.

15. 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 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 2019 and 31 March 2018.

16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 May 2019.

Report of the Directors and Audited Financial Statements

DESIGN ARC EUROPE LIMITED

31 March 2019

EY 安永
Building a better working world

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ERNST & YOUNG

DESIGN ARC EUROPE LIMITED

CONTENTS

DESIGN ARC EUROPE LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2019.

Principal activities
The principal activity of the Company has not changed during the year and was the trading of garments. Details of the principal activity of the Company's subsidiary 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
The Group's loss for the year ended 31 March 2019 and its financial position at that date are set out in the financial statements on pages 5 to 41.

Directors
The directors of the Company during the year were:

Pallak Seth
Albert Farre Moll
Deepak Kumar 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, 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
28 May 2019

Independent auditor's report
To the members of Design Arc Europe Limited
(Incorporated in Hong Kong with limited liability)

Opinion
We have audited the consolidated financial statements of Design Arc Europe Limited (the "Company") and its subsidiary (the "Group") set out on pages 5 to 41, which comprise the consolidated statement of financial position as at 31 March 2019, 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 2019, 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 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 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.

Independent auditor's report (continued)
To the members of Design Arc Europe Limited
(Incorporated in Hong Kong with limited liability)

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.

EY 安永

Independent auditor's report (continued)
To the members of Design Arc Europe Limited
(Incorporated in Hong Kong with limited liability)

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 2019

DESIGN ARC EUROPE LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
REVENUE	4	25,002,504	35,161,738
Cost of sales		(20,635,111)	(32,486,464)
Gross profit		4,367,393	2,675,274
Other income	4	2,565,013	657,991
Selling and distribution expenses		(5,041,215)	(693,630)
Administrative expenses		(2,153,412)	(5,128,785)
Other operating expenses		(174,569)	(669,212)
Finance costs	6	(119,172)	(151,675)
LOSS BEFORE TAX	5	(555,962)	(3,310,037)
Income tax expense	8	-	-
LOSS FOR THE YEAR		(555,962)	(3,310,037)

DESIGN ARC EUROPE LIMITED

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	2019 HK$	2018 HK$
LOSS FOR THE YEAR	(555,962)	(3,310,037)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of a foreign operation	(54,190)	(128,385)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(610,152)	(3,438,422)

DESIGN ARC EUROPE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$	2018 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	9	-	1,275
CURRENT ASSETS			
Trade receivables	10	5,184,390	11,086,580
Prepayments, deposits and other receivables	11	432,611	285,058
Due from fellow subsidiaries	16(b)	1,227,539	-
Due from a non-controlling shareholder	16(b)	-	233,400
Cash and cash equivalents		1,064,356	4,904,738
Total current assets		7,908,896	16,509,776
CURRENT LIABILITIES			
Trade payables		756,262	5,154,191
Other payables and accruals	12	137,734	113,083
Due to the immediate holding company	16(b)	22,565,125	24,341,850
Due to an intermediate holding company	16(b)	-	442,738
Due to fellow subsidiaries	16(b)	2,750,434	2,591,319
Due to a related company	16(b)	43,276	165,026
Interest-bearing bank borrowings	13	333,407	1,717,096
Total current liabilities		26,586,238	34,525,303
NET CURRENT LIABILITIES		(18,677,342)	(18,015,527)
Net liabilities		(18,677,342)	(18,014,252)

continued/...

DESIGN ARC EUROPE LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2019

	Notes	2019 HK$	2018 HK$
EQUITY			
Share capital	14	778,000	778,000
Reserves	15	(19,455,342)	(18,792,252)
Net deficiency in assets		(18,677,342)	(18,014,252)

....
Pallak Seth
Director

....
Deepak Kumar Seth
Director

DESIGN ARC EUROPE LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Note	Share capital HK$	Exchange reserve HK$	Accumulated losses HK$	Net deficiency in assets HK$
At 1 April 2017		778,000	(38,341)	(15,315,489)	(14,575,830)
Loss for the year		-	-	(3,310,037)	(3,310,037)
Other comprehensive loss for the year:					
Exchange difference on translation of a foreign operation		-	(128,385)	-	(128,385)
Total comprehensive loss for the year		-	(128,385)	(3,310,037)	(3,438,422)
At 31 March 2018		778,000	(166,726)*	(18,625,526)*	(18,014,252)
Effect of adoption of HKFRS 9	2.3	-	-	(52,938)	(52,938)
At 1 April 2018 (restated)		778,000	(166,726)	(18,678,464)	(18,067,190)
Loss for the year		-	-	(555,962)	(555,962)
Other comprehensive loss for the year:					
Exchange difference on translation of a foreign operation		-	(54,190)	-	(54,190)
Total comprehensive loss for the year		-	(54,190)	(555,962)	(610,152)
At 31 March 2019		778,000	(220,916)*	(19,234,426)*	(18,677,342)

* These reserve accounts comprise the consolidated deficit in reserves of HK$19,455,342 (2018: HK$18,792,252) in the consolidated statement of financial position.

DESIGN ARC EUROPE LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(555,962)	(3,310,037)
Adjustments for:			
Depreciation	5	1,168	5,314
Finance costs	6	119,172	151,675
Reversal of impairment of trade receivables	5	(37,607)	-
		(473,229)	(3,153,048)
Decrease/(increase) in trade receivables		5,886,859	(7,309,164)
Decrease/(increase) in prepayments, deposits and other receivables		(187,815)	33,956
Increase/(decrease) in trade payables		(4,397,929)	4,227,621
Increase in amounts due from the fellow subsidiaries		(1,227,539)	-
Decrease in an amount due from a non-controlling shareholder		233,400	-
Decrease in other payables and accruals		26,578	(33,047)
Increase/(decrease) in an amount due to the immediate holding company		(1,776,725)	7,875,756
Increase/(decrease) in an amount due to an intermediate holding company		(442,738)	302,698
Increase in amounts due to fellow subsidiaries		159,115	1,182,359
Increase/(decrease) in an amount due to a related company		(121,750)	165,026
Cash generated from/(used in) operations		(2,321,773)	3,292,157
Interest paid		(119,172)	(151,675)
Net cash flows from/(used in) operating activities		(2,440,945)	3,140,482
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		333,407	8,928,927
Repayments of bank loans		(1,717,096)	(8,223,622)
Net cash flows from/(used in) financing activities		(1,383,689)	705,305
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(3,824,634)	3,845,787
Cash and cash equivalents at beginning of year		4,904,738	1,113,077
Effect of foreign exchange rate changes, net		(15,748)	(54,126)
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,064,356	4,904,738
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		1,064,356	4,904,738

1. CORPORATE INFORMATION

Design Arc Europe 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 Group 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 was PDS Multinational Fashions Limited, a company incorporated in India with shares listed on the Bombay Stock Exchange and the National Stock Exchange of India Limited.

Information about the subsidiary
Particulars of the Company's subsidiary as at 31 March 2019 are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable directly to the Company 2019	2018	Principal activity
Nor Europe Manufacturing S.L.*	Spain	Euro 3,000	100	100	Provision of sourcing services

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

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

These financial statements have been prepared on the going concern basis, notwithstanding that the Group had net current liabilities and net liabilities at the end of the reporting period, as an intermediate holding company of the 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$").

2.2 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 2019. 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 a 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.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKFRS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 cycle	Amendments to HKFRS 1 and HKAS 28

The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement
The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) (continued)

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

	Note	HKAS 39 measurement Category	HKAS 39 measurement Amount HK$	HKFRS 9 measurement ECL HK$	HKFRS 9 measurement Amount HK$	Category
Financial assets						
Trade receivables	(i)	L&R[1]	11,086,580	(52,938)	11,033,642	AC[2]
Financial assets included prepayment, deposits and other receivables		L&R	205,501	-	205,501	AC
Due from a non-controlling shareholder		L&R	233,400	-	233,400	AC
Cash and cash equivalents		L&R	4,904,738	-	4,904,738	AC
			16,430,219	(52,938)	16,377,281	
Financial liabilities						
Trade payables		AC	5,154,191	-	5,154,191	AC
Other payables and accruals		AC	113,083	-	113,083	AC
Due to the immediate holding company		AC	24,341,850	-	24,341,850	AC
Due to an intermediate holding company		AC	442,738	-	442,738	AC
Due to fellow subsidiaries		AC	2,591,319	-	2,591,319	AC
Due to a related company		AC	165,026	-	165,026	AC
Interest-bearing bank borrowings		AC	1,717,096	-	1,717,096	AC
			34,525,303	-	34,525,303	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The Group has remeasured the carrying amount of the trade receivables based on the ECL allowance.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 10 to the financial statements.

	Impairment allowances under HKAS 39 at 31 March 2018 HK$	Re-measurement HK$	ECL allowances under HKFRS 9 1 April 2018 HK$
Trade receivables	-	52,938	52,938

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) (continued)

Impact on accumulated loss
The impact of transition to HKFRS 9 on retained profits is as follows:

	HK$
Accumulated loss	
Balance as at 31 March 2018 under HKAS 39	(18,625,526)
Recognition of expected credit losses for trade receivables	(52,938)
Balance as at 1 April 2018 under HKFRS 9	(18,678,464)

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, establishes a new five-step model to account for 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 assets and liabilities account balances between periods and key judgements and estimates.

The disclosures are included in note 4 to the financial statements. The standard will supersede all current revenue recognition requirements under HKFRSs. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.5 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was not significant to the Group's financial statements. The Comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

2.4 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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

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 consolidated financial statements.

2.5 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.

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 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

(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.

2.5 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 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 shorter of the lease terms and 33⅓%
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.

Financial assets (policies under HKFRS 9 applicable from 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
Initial recognition and measurement (continued)
In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 financial assets at amortised cost (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets (policies under HKAS 39 applicable before 1 April 2018)
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 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)

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 (policies under HKFRS 9 applicable from 1 April 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
General approach (continued)
The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach
For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)
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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018) (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 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 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 statement of profit or loss.

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial liabilities of the Group are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

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.

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 profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
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.

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.

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 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.

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)

Revenue recognition (applicable from 1 April 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue from the sale of garments is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the garments.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Revenue recognition (applicable before 1 April 2018)

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.

Employee benefits

Retirement benefit costs

The employees of the Company's subsidiary which operate in Spain are required to participate in a central pension scheme operated by the local municipal government. The subsidiary is required to contribute certain percentages of its 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 central pension scheme.

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 the statement of profit or loss.

2.5 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 the fair value 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 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$. As at the end of the reporting period, the assets and liabilities of the subsidiary are translated into HK$ at the exchange rates 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. 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 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 year are translated into HK$ at the weighted average exchange rates 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.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (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.

Provision for expected credit losses on trade receivables
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 10 to the financial statements.

4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold.

(i) Disaggregated revenue information
The Group's entire revenue of goods transferred is recognised at a point in time.

(ii) Performance obligations
Information about the Group's performance obligations is summarised below:

Sale of garment products
The performance obligation is satisfied upon delivery of the garment products is generally due with 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

An analysis of revenue and other income is as follows:

	2019 HK$	2018 HK$
Revenue from contracts with customers		
Sale of goods	25,002,504	35,161,738
Other income		
Interest income	409	2
Penalty charges received from suppliers	2,557,216	307,860
Commission income	7,388	61,711
Others	-	288,418
	2,565,013	657,991

5. LOSS BEFORE TAX

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

	2019 HK$	2018 HK$
Cost of inventories sold	20,635,111	32,486,464
Auditor's remuneration	56,405	34,100
Depreciation	1,168	5,314
Reversal of impairment of trade receivables	(37,607)	-
Employee benefit expense (excluding directors' remuneration (note 7)):		
Salaries and allowances	1,039,877	907,890
Minimum lease payments under operating leases	32,375	248,794
Foreign exchange differences, net	141,918	128,892

6. FINANCE COSTS

Finance costs represent interest on banking facilities for letters of credit.

7. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Group during the year (2018: Nil).

8. 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 (2018: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

8. INCOME TAX (continued)

A reconciliation of the tax credit applicable to loss before tax at the statutory rates for the jurisdictions in which the Group is domiciled to the tax charge at the effective tax rates is as follows:

2019

	Hong Kong HK$	Spain HK$	Total HK$
Loss before tax	(583,343)	27,381	(555,962)
Tax at the applicable tax rate	(96,252)	4,518	(91,734)
Expenses not deductible for tax	96,252	-	96,252
Tax losses utilised from previous years	-	(4,518)	(4,518)
Tax at the effective rate	-	-	-

2018

	Hong Kong HK$	Spain HK$	Total HK$
Loss before tax	(3,012,853)	(297,184)	(3,310,037)
Tax at the applicable tax rate	(497,121)	(89,155)	(586,276)
Expenses not deductible for tax	497,121	89,155	586,276
Tax at the effective rate	-	-	-

At 31 March 2019, the Group had tax losses arising in Hong Kong of HK$8,776,507 (2018: HK$8,776,507), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits of the Group in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Group that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$	Furniture and fixtures HK$	Office equipment HK$	Total HK$
31 March 2019				
At 31 March 2018 and at 1 April 2018:				
Cost	37,051	20,246	90,408	147,705
Accumulated depreciation	(37,051)	(20,246)	(89,133)	(146,430)
Net carrying amount	-	-	1,275	1,275
At 1 April 2018, net of accumulated depreciation	-	-	1,275	1,275
Depreciation provided during the year	-	-	(1,168)	(1,168)
Exchange realignment	-	-	(107)	(107)
At 31 March 2019, net of accumulated depreciation	-	-	-	-
At 31 March 2019:				
Cost	33,727	18,429	82,294	134,450
Accumulated depreciation	(33,727)	(18,429)	(82,294)	(134,450)
Net carrying amount	-	-	-	-

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements HK$	Furniture and fixtures HK$	Office equipment HK$	Total HK$
31 March 2018				
At 1 April 2017:				
Cost	32,024	17,499	78,142	127,665
Accumulated depreciation	(30,933)	(17,499)	(73,171)	(121,603)
Net carrying amount	1,091	-	4,971	6,062
At 1 April 2017, net of accumulated depreciation	1,091	-	4,971	6,062
Depreciation provided during the year	(1,156)	-	(4,158)	(5,314)
Exchange realignment	65	-	462	527
At 31 March 2018, net of accumulated depreciation	-	-	1,275	1,275
At 31 March 2018:				
Cost	37,051	20,246	90,408	147,705
Accumulated depreciation	(37,051)	(20,246)	(89,133)	(146,430)
Net carrying amount	-	-	1,275	1,275

10. TRADE RECEIVABLES

	2019 HK$	2018 HK$
Trade receivables	5,199,721	11,086,580
Impairment	(15,331)	-
	5,184,390	11,086,580

The Group'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 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 receivables are non-interest-bearing.

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 HK$	2018 HK$
At beginning of year	-	-
Effect of adoption of HKFRS 9	52,938	-
At beginning of year (restated)	52,938	-
Reversal of impairment losses (note 5)	(37,607)	-
At end of year	15,331	-

Impairment under HKFRS 9 for the year ended 31 March 2019
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

10. TRADE RECEIVABLES (continued)

Impairment under HKFRS 9 for the year ended 31 March 2019 (continued)
Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 March 2019

	Current	Pass due Less than 1 month	Pass due 1 to 3 months	Pass due Over 3 months	Total
Expected credit loss rate	0.29%	0.29%	0.36%	0.36%	0.29%
Gross carrying amount (HK$)	4,346,903	495,181	274,603	83,034	5,199,721
Expected credit losses (HK$)	12,606	1,437	989	299	15,331

Impairment under HKAS 39 for the year ended 31 March 2018
An ageing analysis of the trade receivables as at 31 March 2018 that were past due but not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2018 HK$
Neither past due nor impaired	7,628,546
Past due but not impaired:	
Less than one month	2,803,124
One to three months	654,910
	11,086,580

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 Group 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

	2019 HK$	2018 HK$
Prepayments	46,735	79,557
Deposits	-	25,110
Other receivables	385,876	180,391
	432,611	285,058

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

	2019 HK$	2018 HK$
Accruals	53,412	33,090
Other payables	84,322	79,993
	137,734	113,083

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

13. INTEREST-BEARING BANK BORROWINGS

	2019 HK$	2018 HK$
Trust receipt loans	333,407	1,717,096

As at 31 March 2019, the trust receipt loans were denominated in US$ (2018: US$), interest-bearing at London Interbank Offered Rate ("LIBOR") plus 2% per annum (2018: LIBOR plus 2% per annum) and will be repayable in April 2019 (2018: June 2018).

The Group's interest-bearing bank borrowings are secured by guarantees from the intermediate holding company and director of the immediate holding company.

14. SHARE CAPITAL

	2019 HK$	2018 HK$
Issued and fully paid:		
10,000 (2018: 10,000) ordinary shares	778,000	778,000

15. 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 9 of the financial statements.

16. 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	2019 HK$	2018 HK$
Immediate holding company:			
Sample income	(i)	-	61,711
Commission income	(ii)	-	14,013,133
Intermediate holding company:			
Management fees	(iv)	168,206	280,080
Fellow subsidiaries:			
Commissions paid	(iii)	250,091	13,262
Related parties:			
Commission paid	(iii)	279,600	-
Commission income	(ii)	24,987	-

Notes:

(i) The sample income received was based on terms mutually agreed between the Group and the immediate holding company.

(ii) The commission income received was based on terms mutually agreed between the Group and the respective related parties.

16. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes: (continued)

(iii) The commissions paid were based on terms mutually agreed between the Group and the respective related parties.

(iv) The management fees paid were based on terms mutually agreed between the Group and the intermediate holding company.

(b) Outstanding balances with related parties:

The balances with the immediate holding company, an intermediate holding company, a non-controlling shareholder, fellow subsidiaries and a related company are unsecured, interest-free and repayable on demand.

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

17. OPERATING LEASE ARRANGEMENTS

The Group leased its car park under an operating lease arrangement. Lease for the car park was negotiated for a term of one year and the lease was expired during the current year.

At 31 March 2018, the Group had total future minimum lease payments under a non-cancellable operating lease falling due within one year of HK$29,753.

18. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Group comprise trade receivables, financial assets included in prepayments, deposits and other receivables, amounts due from affiliates, and cash and cash equivalents which are categorised as financial assets at amortised cost (2018: loans and receivables). 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 payables, financial liabilities included in other payables and 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 consolidated 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 Group'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, prepayments, deposits and other receivables, amounts due from affiliates, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings, and amounts due to affiliates approximate to their carrying amounts 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.

20. 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 Group's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 March 2019
The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts of the financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Simplified approach HK$	HK$
Trade receivables*	-	-	-	5,199,721	5,199,721
Financial assets included in prepayments deposits and other receivables**					
- Normal**	322,450	-	-	-	322,450
Due from fellow subsidiaries					
- Normal**	1,227,539	-	-	-	1,227,539
Cash and cash equivalents					
- Not yet past due	1,064,356	-	-	-	1,064,356
	2,614,345	-	-	5,199,721	7,814,066

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging as at 31 March 2019 (continued)

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 10 to the financial statements.

** The credit quality of due from fellow subsidiaries and the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 March 2018

The carrying amounts of trade receivables, financial assets included in prepayments, deposits and other receivables, an amount due from a non-controlling shareholder and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets. All of the Group's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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 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 Company may issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 31 March 2018.

21. 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:

	2019 HK$	2018 HK$
NON-CURRENT ASSET		
Investment in a subsidiary	29,875	29,875
CURRENT ASSETS		
Trade receivables	5,184,390	11,086,580
Prepayments, deposits and other receivables	115,985	79,557
Due from a non-controlling shareholder	-	233,400
Due from a subsidiary	1,373,924	1,795,495
Due from fellow subsidiaries	1,227,539	-
Cash and cash equivalents	978,541	4,202,143
Total current assets	8,880,379	17,397,175
CURRENT LIABILITIES		
Trade payables	756,262	5,154,191
Other payables and accruals	116,291	33,090
Due to an intermediate holding company	-	442,738
Due to the immediate holding company	22,565,125	24,341,850
Due to a related company	43,275	165,026
Due to fellow subsidiaries	2,750,434	2,591,318
Interest-bearing bank borrowings	333,407	1,717,096
Total current liabilities	26,564,794	34,445,309
NET CURRENT LIABILITIES	(17,684,415)	(17,048,134)
Net liabilities	(17,654,540)	(17,018,259)
EQUITY		
Share capital	778,000	778,000
Accumulated losses (note)	(18,432,540)	(17,796,259)
Net deficiency in assets	(17,654,540)	(17,018,259)

Pallak Seth
Director

Deepak Kumar Seth
Director

21. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's accumulated losses is as follows:

	HK$
At 1 April 2017	(14,783,406)
Loss and total comprehensive loss for the year	(3,012,853)
At 31 March 2018	(17,796,259)
Effect of adoption of HKFRS 9	(52,938)
At 1 April 2018 (restated)	(17,849,197)
Loss and total comprehensive loss for the year	(583,343)
At 31 March 2019	(18,432,540)

22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 May 2019.

Report of the Directors and Audited Financial Statements

DESIGN ARC ASIA LIMITED

31 March 2019

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DESIGN ARC ASIA LIMITED

CONTENTS

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 2019.

Principal activities
The Company was principally involved in the trading of garments.

Results
The Company's profit for the year ended 31 March 2019 and its financial position at that date are set out in the financial statements on pages 5 to 34.

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 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
28 May 2019

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 34, which comprise the statement of financial position as at 31 March 2019, 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 2019, 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.

EY 安永

Independent auditor's report (continued)
To the members of Design Arc Asia Limited
(Incorporated in Hong Kong with limited liability)

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.

EY 安永

Independent auditor's report (continued)
To the members of Design Arc Asia 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
28 May 2019

DESIGN ARC ASIA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
REVENUE	4	476,246,851	174,334,396
Cost of sales		(398,107,608)	(143,621,651)
Gross profit		78,139,243	30,712,745
Other income and gains	4	9,745,598	1,555,792
Selling and distribution costs		(46,730,436)	(15,293,231)
Administrative expenses		(26,101,761)	(3,872,227)
Other operating expenses		(100,677)	(82,237)
Finance costs	6	(3,584,062)	(728,491)
PROFIT BEFORE TAX	5	11,367,905	12,292,351
Income tax expense	8	-	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		11,367,905	12,292,351

DESIGN ARC ASIA LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$	2018 HK$
NON-CURRENT ASSETS			
Investment in a subsidiary	10	-	-
Property, plant and equipment	9	45,121	13,114
Total non-current assets		45,121	13,114
CURRENT ASSETS			
Trade receivables	11	105,692,314	46,203,082
Prepayments		5,249,957	79,295
Due from fellow subsidiaries	14(b)	2,953,390	-
Due from the ultimate holding company	14(b)	5,425,990	-
Due from a non-controlling shareholder	14(b)	-	116,700
Cash and cash equivalents		4,466,442	20,125,368
Total current assets		123,788,093	66,524,445
CURRENT LIABILITIES			
Trade payables		66,473,020	37,336,169
Accruals		744,383	113,175
Interest-bearing bank borrowings	12	7,360,073	8,346,143
Due to the immediate holding company	14(b)	15,748,435	11,770,990
Due to an intermediate holding company	14(b)	1,047,056	-
Due to fellow subsidiaries	14(b)	14,319,024	1,924,833
Total current liabilities		105,691,991	59,491,310
NET CURRENT ASSETS		18,096,102	7,033,135
Net assets		18,141,223	7,046,249
EQUITY			
Share capital	13	778,000	778,000
Retain profits		17,363,223	6,268,249
Total equity		18,141,223	7,046,249

Payel Seth
Director

Deepak Kumar Seth
Director

DESIGN ARC ASIA LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Note	Share capital HK$	Retain profit/ (accumulated losses) HK$	Total equity/ (net deficiency in assets) HK$
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
Effect of adoption of HKFRS 9	2.2	-	(272,931)	(272,931)
At 1 April 2018 (restated)		778,000	5,995,318	6,773,318
Profit and total comprehensive income for the year		-	11,367,905	11,367,905
At 31 March 2019		778,000	17,363,223	18,141,223

DESIGN ARC ASIA LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		11,367,905	12,292,351
Adjustments for:			
Depreciation	5	6,695	3,746
Finance costs	6	3,584,062	728,491
Impairment of trade receivables	5	238,014	-
		15,196,676	13,024,588
Increase in trade receivables		(60,000,177)	(43,791,621)
Increase in prepayments		(5,170,662)	(78,712)
Increase in an amount due from the ultimate holding company		(5,425,990)	-
Decrease in amount due from a non-controlling shareholder		116,700	-
Increase in amounts due from fellow subsidiaries		(2,953,390)	-
Increase in trade payables		29,136,851	36,803,966
Increase in accruals		631,208	83,956
Increase in an amount due to the immediate holding company		3,977,445	4,002,348
Increase in an amount due to an intermediate holding company		1,047,056	-
Increase in amounts due to fellow subsidiaries		12,394,191	1,924,833
Cash generated from/(used in) operations		(11,050,092)	11,969,358
Interest paid		(3,584,062)	(728,491)
Net cash flows from/(used in) operating activities		(14,634,154)	11,240,867
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(38,702)	(16,860)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		(8,346,143)	-
Proceeds from bank loans		7,360,073	8,346,143
Net cash flows from/(used in) financing activities		(986,070)	8,346,143
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(15,658,926)	19,570,150
Cash and cash equivalents at beginning of year		20,125,368	555,218
CASH AND CASH EQUIVALENTS AT END OF YEAR		4,466,442	20,125,368
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		4,466,442	20,125,368

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 the subsidiary

Particulars of the Company's subsidiary as at 31 March 2019 are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company 2019	Percentage of equity attributable to the Company 2018	Principal activities
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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKFRS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 cycle	Amendments to HKFRS1 and HKAS 28

The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Company has applied prospectively, the Company has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement	
	Note	Category	Amount	ECL	Amount	Category
			HK$	HK$	HK$	
Financial assets						
Trade receivables	(i)	L&R[1]	46,203,082	(272,931)	45,930,151	AC[2]
Due from a non-controller shareholder		L&R	116,700	-	116,700	AC
Cash and cash equivalents		L&R	20,125,368	-	20,125,368	AC
			66,445,150	(272,931)	66,172,219	
Financial liabilities						
Trade payables		AC	37,336,169	-	37,336,169	AC[2]
Accruals		AC	113,175	-	113,175	AC
Interest-bearing bank borrowings		AC	8,346,143	-	8,346,143	AC
Due to the immediate holding company		AC	11,770,990	-	11,770,990	AC
Due to fellow subsidiaries		AC	1,924,833	-	1,924,833	AC
			59,491,310	-	59,491,310	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The Company has remeasured the carrying amount of the trade receivables based on the ECL allowance.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Impairment
The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 11 to the financial statements.

	Impairment allowances under HKAS 39 at 31 March 2018 HK$	Re-measurement HK$	ECL allowances under HKFRS 9 1 April 2018 HK$
Trade receivables	-	272,931	272,931

Impact on retained profits
The impact of transition to HKFRS 9 on retained profits is as follows:

	HK$
Retained profits	
Balance as at 31 March 2018 under HKAS 39	6,268,249
Recognition of expected credit losses for trade receivables	(272,931)
Balance as at 1 April 2018 under HKFRS 9	5,995,318

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, establishes a new five-step model to account for 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 assets and liabilities account balances between periods and key judgements and estimates.

The disclosures are included in notes 4 to the financial statements. The standard will supersede all current revenue recognition requirements under HKFRSs. As a result of the application of HKFRS 15, the Company has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

The Company has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was not significant to the Company's financial statements. The Comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
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 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 Company's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiary
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 a subsidiary are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment loss.

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.

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

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.

2.4 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.

Financial assets (policies under HKFRS 9 applicable from 1 April 2018)
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 financial assets at amortised cost (debt instruments)
The Company measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under HKAS 39 applicable before 1 April 2018)

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 (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)

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 (policies under HKFRS 9 applicable from 1 April 2018)
The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
Simplified approach
For trade receivables that do not contain a significant financing component or when the Company applies the practical expedient of not adjusting the effect of a significant financing component, the Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)
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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

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

The Company's forward liabilities include trade payables and other payables and accruals.

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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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.

2.4 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 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable from 1 April 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from the sale of garments is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the garments.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Handling fee income is recognised over time when the relevant service has been rendered.

Commission income is recognised at the point in time when the sale of garment products arranged by the customer is transferred to another party.

Revenue recognition (applicable before 1 April 2018)

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.

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.

3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

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.

Provision for expected credit losses on trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 11 to the financial statements.

4. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold.

(i) Disaggregated revenue information
The Company's entire revenue of goods transferred is recognised at a point in time.

(ii) Performance obligations
Information about the Company's performance obligations is summarised below:

Sale of garment products
The performance obligation is satisfied upon delivery of the garment products is generally due with 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

An analysis of revenue and other income and gains is as follows:

	2019 HK$	2018 HK$
Revenue from contracts with customers		
Sale of goods	476,246,851	174,334,396
Other income and gains		
Design and consultancy fee	-	875,028
Penalty on suppliers	3,240,552	571,163
Interest income	867	2
Foreign exchange gain, net	195,863	-
Handling fee income	4,148,872	-
Commission income	1,318,946	-
Others	840,498	109,599
	9,745,598	1,555,792

5. PROFIT BEFORE TAX

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

	Note	2019 HK$	2018 HK$
Cost of inventories sold		398,107,608	143,621,651
Auditor's remuneration		45,300	35,000
Foreign exchange difference, net		(195,863)	78,491
Depreciation		6,695	3,746

5. PROFIT BEFORE TAX (continued)

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

	Note	2019 HK$	2018 HK$
Impairment of trade receivables	11	238,014	-
Employee benefit expense (excluding directors' remuneration (note 7)):			
Salaries and allowances		1,226,927	30,389

6. FINANCE COSTS

	2019 HK$	2018 HK$
Interest on bank loans	3,208,258	679,770
Others	375,804	48,721
	3,584,062	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 (2018: 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 (2018: Nil).

8. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit 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% (2018: 16.5%)) to the effective tax rate, are as follows:

	2019 HK$	%	2018 HK$	%
Profit before tax	11,367,905		12,292,351	
Tax expense at the statutory tax rate (2018: 16.5%)	1,875,704	16.5	2,028,238	16.5
Income not subject to tax	(14,500,999)	(127.6)	(5,324,309)	(43.3)
Expenses not deductible for tax	12,625,295	111.1	3,296,071	26.8
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 (2018: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

	Office equipment HK$
31 March 2019	
At 31 March 2018 and 1 April 2018:	
Cost	16,860
Accumulated depreciation	(3,746)
Net carrying amount	13,114
At 31 March 2018 and 1 April 2018, net of accumulated depreciation	13,114
Additions	38,702
Depreciation provided during the year	(6,695)
At 31 March 2019, net of accumulated depreciation	45,121
At 31 March 2019:	
Cost	55,562
Accumulated depreciation	(10,441)
Net carrying amount	45,121
31 March 2018	
At 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. INVESTMENT IN A SUBSIDIARY

	2019 HK$	2018 HK$
Unlisted investment, at cost	101,140	101,140
Impairment	(101,140)	(101,140)
	-	-

Particulars of the subsidiary as at the end of the reporting period are as follows:

Name	Place of incorporation/ registration and operations	issued ordinary/ registered share capital	Percentage of equity directly attributable to the Company	Principal activities
NOR France SAS *	France	Euro 10,000	100%	Trading of garment products

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

11. 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.

	2019 HK$	2018 HK$
Trade receivables	106,203,259	46,203,082
Impairment	(510,945)	-
	105,692,314	46,203,082

11. TRADE RECEIVABLES (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 HK$	2018 HK$
At beginning of year	-	-
Effect of adoption of HKFRS 9	272,931	-
At beginning of year (restated)	272,931	-
Impairment losses (note 5)	238,014	-
At end of year	510,945	-

Impairment under HKFRS 9 for the year ended 31 March 2019
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

As at 31 March 2019

		Pass due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.48%	0.48%	0.48%	0.48%	0.48%
Gross carrying amount (HK$)	100,815,075	4,764,737	619,695	3,752	106,203,259
Expected credit losses (HK$)	485,002	22,941	2,984	18	510,945

11. TRADE RECEIVABLES (continued)

Impairment under HKAS 39 for the year ended 31 March 2018
An ageing analysis of the trade receivables as at 31 March 2018 that were past due but not individually nor collectively considered to be impaired under HKAS 39 is as follows:-

	HK$
Neither past due nor impaired	36,383,182
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

Receivables that were neither pas due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Company. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances under HKAS 39 was necessary in respect of these balance as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

12. INTEREST-BEARING BANK BORROWINGS

	2019 HK$	2018 HK$
Trust receipt loans	7,360,073	8,346,143

The trust receipt loans as at 31 March 2019 were denominated in United States dollars, interest-bearing at cost of funding plus 2% (2018: 2.25%) per annum and will be matured in April 2019 (2018: 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.

13. SHARE CAPITAL

	2019 HK$	2018 HK$
Issued and fully paid:		
100,000 (2018: 100,000) ordinary shares	778,000	778,000

14. 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	2019 HK$	2018 HK$
Ultimate holding company:			
Commission paid	(i)	769,069	-
Intermediate holding company:			
Commission paid	(i)	1,047,056	-
Management fees paid	(ii)	1,790,637	-
Fellow subsidiaries:			
Marketing fees paid	(iii)	32,285,102	6,030,385
Service fees received	(iv)	1,366,988	1,203,091
Management fees paid	(ii)	954,950	-
Management fees received	(v)	1,857,162	-

Notes:

(i) The commissions paid were in relation to sourcing services rendered by the ultimate holding company and the immediate holding company, and were charged at rates mutually agreed between the Company and the respective related parties.

(ii) The management fees paid were charged based on terms mutually agreed between the Company and the respective related parties.

(iii) 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.

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

(v) The management fees received were charged based on terms mutually agreed between the Company and a fellow subsidiary.

(b) The balances with the immediate holding company, an intermediate holding company, fellow subsidiaries and a non-controlling shareholder are unsecured, interest-free and repayable on demand.

14. RELATED PARTY TRANSACTIONS (continued)

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

15. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade receivables, amounts due from affiliates, and cash and cash equivalents which are categorised as financial assets at amortised cost (2018: 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.

16. 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, amounts due from affiliates, cash and cash equivalents, trade payables, interest-bearing bank borrowings, 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 2019 (2018: Nil).

17. 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 Company's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging as at 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts of the financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK$	HK$	HK$	HK$	HK$
Trade receivables*	-	-	-	106,203,259	106,203,259
Due from fellow subsidiaries					
- Not yet past due	2,953,390	-	-	-	2,953,390
Due from the ultimate holding company					
- Not yet past due	5,425,990	-	-	-	5,425,990
Cash and cash equivalents					
- Not yet past due	4,466,442	-	-	-	4,466,442
	12,845,822	-	-	106,203,259	119,049,081

* For trade receivables to which the Company applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 11 to the financial statements.

Maximum exposure as at 31 March 2018

The carrying amounts of trade receivables, amounts due from affiliates and cash and cash equivalents represent the Company's maximum exposure to credit risk in relation to financial assets. All of the Company's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

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.

17. 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 2019 and 2018.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 May 2019.

Report of the Directors and Audited Financial Statements

JJ STAR INDUSTRIAL LIMITED

31 March 2019

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Building a better working world

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ERNST & YOUNG

JJ STAR INDUSTRIAL LIMITED

CONTENTS

JJ STAR INDUSTRIAL LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2019.

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 2019 and its financial position as at that date are set out in the financial statements on pages 5 to 39.

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
28 May 2019

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 39, which comprise the statement of financial position as at 31 March 2019, 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 2019, 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.

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.

EY 安永

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 (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 2019

JJ STAR INDUSTRIAL LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
REVENUE	5	285,572,260	159,774,721
Cost of sales		(262,377,463)	(150,435,092)
Gross profit		23,194,797	9,339,629
Other income	5	26,624,673	21,575,909
Selling and distribution expenses		(4,441,571)	(2,132,411)
Administrative expenses		(32,313,613)	(20,452,969)
Other operating expenses		(1,498,089)	(767,684)
Finance costs	7	(1,153,605)	(2,947,138)
PROFIT BEFORE TAX	6	10,412,592	4,615,336
Income tax expense	9	-	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,412,592	4,615,336

JJ STAR INDUSTRIAL LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$	2018 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,411,874	525,733
CURRENT ASSETS			
Trade receivables	11	57,809,631	37,220,707
Prepayments, deposits and other receivables	12	7,040,579	4,893,395
Due from an intermediate holding company	17(b)	-	574,511
Due from a fellow subsidiary	17(b)	17,155	-
Due from a non-controlling shareholder	17(b)	138,422	1,313,075
Due from a related company	17(c)	17,645,452	10,965,669
Cash and cash equivalents		9,576,744	894,629
Total current assets		92,227,983	55,861,986
CURRENT LIABILITIES			
Trade payables		67,479,906	20,094,870
Other payables and accruals	13	747,272	674,889
Due to an intermediate holding company	17(b)	875,250	-
Due to the immediate holding company	17(b)	9,349,897	3,503,791
Due to fellow subsidiaries	17(b)	676,748	698,533
Interest-bearing bank borrowing	15	-	27,150,212
Total current liabilities		79,129,073	52,122,295
NET CURRENT ASSETS		13,098,910	3,739,691
Net assets		14,510,784	4,265,424

continued/...

JJ STAR INDUSTRIAL LIMITED

STATEMENT OF FINANCIAL POSITION (continued)

31 March 2019

	Note	2019 HK$	2018 HK$
EQUITY			
Share capital	14	389,000	389,000
Retained profit		14,121,784	3,876,424
Total equity		14,510,784	4,265,424

....

Pallak Seth
Director

....

Deepak Kumar Seth
Director

JJ STAR INDUSTRIAL LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Note	Share capital HK$	Retained profit/ (accumulated losses) HK$	Total equity HK$
At 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
Effect of adoption of HKFRS 9	2.2	-	(167,232)	(167,232)
At 1 April 2018 (restated)		389,000	3,709,192	4,098,192
Profit and total comprehensive income for the year		-	10,412,592	10,412,592
At 31 March 2019		389,000	14,121,784	14,510,784

JJ STAR INDUSTRIAL LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		10,412,592	4,615,336
Adjustments for:			
Interest income	5	(5,670)	(83)
Finance costs	7	1,153,605	2,947,138
Depreciation	6	595,718	240,282
Impairment of trade receivables	11	85,297	-
		12,241,542	7,802,673
Increase in trade receivables		(20,841,453)	(33,757,523)
Increase in prepayments, deposits and other receivables		(2,147,184)	(4,374,414)
Change in balance with an intermediate holding company		1,449,761	1,292,689
Decrease/(increase) in an amount due from a non-controlling shareholder		1,174,653	(1,313,075)
Increase in an amount due from a related company		(6,679,783)	(3,421,563)
Increase in an amount due from a fellow subsidiary		(17,155)	-
Increase in trade payables		47,385,036	18,479,936
Increase in other payables and accruals		72,383	344,251
Decrease in amounts due to fellow subsidiaries		(21,785)	(1,263,679)
Increase in an amount due to the immediate holding company		5,846,106	929,594
Decrease in an amount due to a non-controlling shareholder		-	(2,778)
Cash generated from/(used in) operations		38,462,121	(15,283,889)
Interest received		5,670	83
Interest paid		(1,153,605)	(2,947,138)
Net cash flows from/(used in) operating activities		37,314,186	(18,230,944)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and net cash used in investing activities		(1,481,859)	(461,995)

continued/...

STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2019

	2019 HK$	2018 HK$
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in bank borrowings	143,786,820	106,558,415
Repayment of bank borrowings	(170,937,032)	(87,499,331)
Net cash flows from/(used in) financing activities	(27,150,212)	19,059,084
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,682,115	366,145
Cash and cash equivalents at the beginning of year	894,629	528,484
CASH AND CASH EQUIVALENTS AT END OF YEAR	9,576,744	894,629
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	9,576,744	894,629

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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKFRS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 cycle	Amendments to HKFRS1 and HKAS 28

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Company has applied prospectively, the Company has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement
The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement	
	Note	Category	Amount	ECL	Amount	Category
			HK$	HK$	HK$	
Financial assets						
Trade receivables	(i)	L&R[1]	37,220,707	(167,232)	37,053,475	AC[2]
Prepayments, deposits and other receivables		L&R	852,928	-	852,928	AC
Due from an intermediate holding company		L&R	574,511	-	574,511	AC
Due from a non-controlling shareholder		L&R	1,313,075	-	1,313,075	AC
Due from a related company		L&R	10,965,669	-	10,965,669	AC
Cash and cash equivalents		L&R	894,629	-	894,629	AC
			51,821,519	(167,232)	51,654,287	
Financial liabilities						
Trade payables		AC	20,094,870	-	20,094,870	AC
Other payables and accruals		AC	674,889	-	674,889	AC
Due to fellow subsidiaries		AC	698,533	-	698,533	AC
Due to the immediate holding company		AC	3,503,791	-	3,503,791	AC
Interest-bearing bank borrowing		AC	27,150,212	-	27,150,212	AC
			52,122,295	-	52,122,295	

1 L&R: Loans and receivables
2 AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The Company has remeasured the carrying amount of the trade receivables based on the ECL allowance.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued).

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 11 to the financial statements.

	Impairment allowances under HKAS 39 at 31 March 2018 HK$	Re-measurement HK$	ECL allowances under HKFRS 9 1 April 2018 HK$
Trade receivables	-	167,232	167,232

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	HK$
Retained profits	
Balance as at 31 March 2018 under HKAS 39	3,876,424
Recognition of expected credit losses for trade receivables	(167,232)
Balance as at 1 April 2018 under HKFRS 9	3,709,192

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, establishes a new five-step model to account for 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 assets and liabilities account balances between periods and key judgements and estimates.

The disclosures are included in note 5 to the financial statements. The standard will supersede all current revenue recognition requirements under HKFRSs. As a result of the application of HKFRS 15, the Company has changed the accounting policy with respect to revenue recognition in note 3 to the financial statements.

The Company has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company has elected to apply the standard to contracts that are not completed as at 1 April 2018.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued).
The cumulative effect of the initial application of HKFRS 15 was no impact to the Company's financial statements. The comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

HKFRS 16 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 – leases of low-value assets and short-term leases.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Company will adopt HKFRS 16 from 1 April 2019. The Company plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate the comparatives. In addition, the Company plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Company plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During year ended 31 March 2019, the Company has performed a high-level assessment on the impact of adoption of HKFRS 16. As disclosed in note 18 to the financial statements, at 31 March 2019, the Company had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$842,134. The Company currently is still assessing whether, upon adoption of HKFRS 16, certain amounts included therein will need to be recognised as new right-of-use assets and lease liabilities. Further detailed analysis, however, will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to any amounts relating to leases of low value assets and short term leases, other practical expedients and reliefs chosen.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Company expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Company's financial statements.

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

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Company expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Company's financial statements.

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.

3. 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.

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 shorter of the lease terms and 33⅓%
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.

3. 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 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.

Financial assets (policies under HKFRS 9 applicable from 1 April 2018)
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 financial assets at amortised cost (debt instruments)
The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
Subsequent measurement of financial assets at amortised cost (debt instruments) (continued)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets (policies under HKAS 39 applicable before 1 April 2018)
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 (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)
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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018) (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 Company could be required to repay.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)
The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
Simplified approach
For trade receivables that do not contain a significant financing component or when the Company applies the practical expedient of not adjusting the effect of a significant financing component, the Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)
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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

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 forward liabilities include trade payables and other payables and accruals.

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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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.

3. 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 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 (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from the sale of garments is recognised at the point in time when control of the product is transferred to the customer, generally on delivery of the garments.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Revenue recognition (applicable before 1 January 2018)

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.

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:

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.

Provision for expected credit losses on trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 11 to the financial statements.

5. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold.

(i) Disaggregated revenue information
The Company's entire revenue of goods transferred is recognised at a point in time.

(ii) Performance obligations
Information about the Company's performance obligations is summarised below:

Sale of garment products
The performance obligation is satisfied upon delivery of the garment products is generally due with 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

An analysis of revenue and other income is as follows:

	2019 HK$	2018 HK$
Revenue from contracts with customers		
Sale of goods	285,572,260	159,774,721
Other income		
Interest income	5,670	83
Handling fee income	16,787,907	14,997,703
Penalty on suppliers	5,532,237	4,615,448
Early payment discount from suppliers	4,278,343	1,946,189
Others	20,516	16,486
	26,624,673	21,575,909

6. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging:

	2019 HK$	2018 HK$
Auditor's remuneration	43,200	35,600
Depreciation	595,718	240,282
Employee benefit expense (excluding directors' remuneration (note 8)):		
Salaries and allowances	14,806,111	10,293,987
Pension scheme contributions (defined contribution scheme)	67,360	67,080
	14,873,471	10,361,067
Minimum lease payments under operating leases	2,914,846	1,597,981
Impairment of trade receivables (note 11)	85,297	-
Foreign exchange differences, net	681,264	509,107

7. FINANCE COSTS

	2019 HK$	2018 HK$
Interest on bank loans	1,151,644	2,941,573
Others	1,961	5,565
	1,153,605	2,947,138

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:

	2019 HK$	2018 HK$
Fees	-	-
Other emoluments:		
Salaries, allowances and other benefits	777,600	777,600

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 (2018: Nil).

A reconciliation of the tax charge applicable to profit before tax using the Hong Kong statutory rate of 16.5% (2018: 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:

	2019 HK$	%	2018 HK$	%
Profit before tax	10,412,592		4,615,336	
Tax charge at the statutory tax rate	1,718,078	16.5	761,530	16.5
Expenses not deductible for tax	4,784,057	45.9	29,161,324	638.1
Income not subject to tax	(6,502,135)	(62.4)	(29,922,854)	(648.3)
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 (2018: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$	Furniture and fixtures HK$	Office equipment HK$	Total HK$
31 March 2019				
At 31 March 2018 and at 1 April 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
At 31 March 2018 and at 1 April 2018:	124,837	174,393	226,503	525,733
Additions	723,260	206,807	551,792	1,481,859
Depreciation provided during the year	(225,664)	(132,345)	(237,709)	(595,718)
At 31 March 2019, net of accumulated depreciation	622,433	248,855	540,586	1,411,874
At 31 March 2019:				
Cost	979,833	465,741	971,555	2,417,129
Accumulated depreciation	(357,400)	(216,886)	(430,969)	(1,005,255)
Net carrying amount	622,433	248,855	540,586	1,411,874

10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvement HK$	Furniture and fixtures HK$	Office equipment HK$	Total HK$
31 March 2018				
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 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

11. TRADE RECEIVABLES

	2019 HK$	2018 HK$
Trade receivables	58,062,160	37,220,707
Impairment	(252,529)	-
	57,809,631	37,220,707

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.

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 HK$	2018 HK$
At beginning of year	-	-
Effect of adoption of HKFRS 9	167,232	-
At beginning of year (restated)	167,232	-
Impairment losses (note 6)	85,297	-
At end of year	252,529	-

Impairment under HKFRS 9 for the year ended 31 March 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

11. TRADE RECEIVABLES (continued)

Impairment under HKFRS 9 for the year ended 31 March 2019 (continued)
Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

As at 31 March 2019

		Pass due		
	Current	Less than 1 month	1 to 3 months	Total
Expected credit loss rate	0.43%	0.54%	0.63%	0.43%
Gross carrying amount (HK$)	55,631,841	2,210,349	219,970	58,062,160
Expected credit losses (HK$)	239,217	11,936	1,376	252,529

Impairment under HKAS 39 for the year ended 31 March 2018
An ageing analysis of the trade receivables as at 31 March 2018 that were past due but not individually nor collectively considered to be impaired under HKAS 39 is as follows:-

	2018 HK$
Neither past due nor impaired	31,204,330
Past due but not impaired:	
Less than one month	5,947,060
One to three months	69,317
	37,220,707

Receivables that were neither pas due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Company. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances under HKAS 39 was necessary in respect of these balance as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$	2018 HK$
Advance to vendors	6,042,532	3,896,427
Deposits	841,847	833,321
Prepayments	156,200	144,040
Other receivables	-	19,607
	7,040,579	4,893,395

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

	2019 HK$	2018 HK$
Accrued employee benefits	113,889	252,174
Accruals	41,500	34,300
Other payables	591,883	388,415
	747,272	674,889

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

14. SHARE CAPITAL

	2019 HK$	2018 HK$
Issued and fully paid: 50,000 (2018: 50,000) ordinary shares	389,000	389,000

15. INTEREST-BEARING BANK BORROWING

	2019 HK$	2018 HK$
Clean Import Loan	-	27,150,212

The clean import loan as at 31 March 2018 was denominated in United States dollars, interest-bearing at London Interbank Offered Rate plus 2% per annum and was matured in June 2018.

16. NOTE TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank borrowing HK$
At 1 April 2018	27,150,212
Changes from financing cash flows	(27,150,212)
At 31 March 2019	-

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	2019 HK$	2018 HK$
Intermediate holding company:			
Management fees paid	(i)	1,750,500	822,735
Commission received	(ii)	414,502	-
Fellow subsidiaries:			
Support services fee paid	(iii)	-	1,554,029
Rentals paid	(iv)	-	143,957
Sampling fees paid	(v)	-	73,660
Design fees paid	(vi)	-	9,725
Marketing fees paid	(vii)	-	6,502
Consultancy fees paid	(viii)	-	-
Commission received	(ii)	15,809	-

Notes:

(i) The management fees paid were based on terms mutually agreed between the Company and the intermediate holding company.

(ii) The commissions received were in relation to sourcing services rendered, and were charged at rates mutually agreed between the Company and the relevant related parties.

(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.

17. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes: (continued)

(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 repayable on demand.

(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 2019 HK$	Maximum amount outstanding during the year HK$	At 31 March 2018 HK$	Maximum amount outstanding during the year HK$	At 1 April 2017 HK$
JJ Star Fashion Limited	17,645,452	23,152,700	10,965,669	24,124,502	7,544,106

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 repayable on demand.

(d) Compensation of key management personnel of the Company represented directors' remuneration as disclosed in note 8 to the financial statements.

18. OPERATING LEASE ARRANGEMENTS

The Company 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 2019, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

18. OPERATING LEASE ARRANGEMENTS (continued)

	2019 HK$	2018 HK$
Within one year	842,134	1,162,624
In the second to fifth years, inclusive	-	319,707
	842,134	1,482,331

19. 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 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 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.

20. 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.

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, cash and cash equivalents, trade payables, financial liabilities included in other payables and accruals, 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 the end of each reporting period.

21. 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 Company's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 March 2019
The table below shows the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts of the financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Simplified approach HK$	HK$
Trade receivables*	-	-	-	58,062,160	58,062,160
Financial assets included in prepayments, deposits and other receivables					
- Normal**	841,847	-	-	-	841,847
Due from a fellow subsidiary					
- Not yet past due	17,155	-	-	-	17,155
Due from a non-controlling shareholder					
- Not yet past due	138,422	-	-	-	138,422
Due from a related company					
- Not yet past due	17,645,452	-	-	-	17,645,452
Cash and cash equivalents					
- Not yet past due	9,576,744	-	-	-	9,576,744
	28,219,620	-	-	58,062,160	86,281,780

* For trade receivables to which the Company applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 11 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)
Maximum exposure as at 31 March 2018
The carrying amounts of trade receivables, financial assets included in prepayments, deposits and other receivables, amounts due from an intermediate holding company, a non-controlling shareholder and a related company and cash and cash equivalents represent the Company's maximum exposure to credit risk in relation to financial assets. All of the Company's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

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 31 March 2017.

22. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 May 2019.

Report of the Directors and Audited Financial Statements

NOR LANKA MANUFACTURING LIMITED

31 March 2019

EY 安永
Building a better working world

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NOR LANKA MANUFACTURING LIMITED

CONTENTS

NOR LANKA MANUFACTURING LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 March 2019.

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 2019 and its financial position at that date are set out in the financial statements on pages 5 to 54.

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
28 May 2019

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 54, which comprise the statement of financial position as at 31 March 2019, 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 2019, 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.

EY 安永

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
28 May 2019

NOR LANKA MANUFACTURING LIMITED

STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
REVENUE	5	675,504,102	626,434,459
Cost of sales		(587,839,004)	(547,149,219)
Gross profit		87,665,098	79,285,240
Other income and gains	5	6,888,778	6,719,640
Selling and distribution expenses		(21,044,917)	(18,726,758)
Administrative expenses		(64,103,689)	(58,197,310)
Other operating expenses		(394,827)	(871,828)
Finance costs	7	(1,136,221)	(1,279,771)
PROFIT BEFORE TAX	6	7,874,222	6,929,213
Income tax credit	9	19,172,444	-
PROFIT FOR THE YEAR		27,046,666	6,929,213

NOR LANKA MANUFACTURING LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Note	2019 HK$	2018 HK$
PROFIT FOR THE YEAR		27,046,666	6,929,213
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	178,286	(67,059)
Reclassification adjustments for gains/(losses) included in the statement of profit or loss	16	(69,415)	172,603
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		108,871	105,544
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		27,155,537	7,034,757

NOR LANKA MANUFACTURING LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$	2018 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	11	244,222	509,236
Investments in subsidiaries	10	4,656,511	4,656,511
Total non-current assets		4,900,733	5,165,747
CURRENT ASSETS			
Inventories	12	62,124,929	29,316,893
Trade receivables	13	65,768,609	64,169,972
Prepayments, deposits and other receivables	14	26,385,581	16,731,115
Due from the immediate holding company	22(b)	45,668,611	24,553,440
Due from fellow subsidiaries	22(b)	14,597,985	17,860,682
Due from a subsidiary	22(b)	22,897,796	15,516,042
Derivative financial instruments	16	62,545	2,446
Cash and cash equivalents		4,361,133	7,582,814
Total current assets		241,867,189	175,733,404
CURRENT LIABILITIES			
Trade and bills payables		57,137,783	30,685,829
Other payables and accruals	15	10,503,846	2,896,412
Due to an intermediate holding company	21(b)	3,306,071	2,501,339
Due to a fellow subsidiary	21(b)	411,544	140,040
Due to a subsidiary	21(b)	8	8
Derivative financial instruments	16	6,680	55,182
Interest-bearing bank borrowings	17	69,972,971	46,871,086
Tax payable		-	19,172,444
Total current liabilities		141,338,903	102,322,340
NET CURRENT ASSETS		100,528,286	73,411,064
Net assets		105,429,019	78,576,811

continued/...

NOR LANKA MANUFACTURING LIMITED

STATEMENT OF FINANCIAL POSITION (continued)

31 March 2019

	Note	2019 HK$	2018 HK$
EQUITY			
Share capital	18	10,000	10,000
Reserves		105,419,019	78,566,811
Total equity		105,429,019	78,576,811

Pallak Seth
Director

Deepak Kumar Seth
Director

NOR LANKA MANUFACTURING LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Note	Share capital HK$	Hedging reserve HK$	Retained profits HK$	Total equity HK$
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
Effect of adoption of HKFRS 9	2.2	-	-	(303,329)	(303,329)
At 1 April 2018 (restated)		10,000	(53,006)*	78,316,488	78,273,482
Profit for the year		-	-	27,046,666	27,046,666
Other comprehensive income for the year:					
Cash flow hedges, net of tax		-	108,871	-	108,871
Total comprehensive income for the year		-	108,871	27,046,666	27,155,537
At 31 March 2019		10,000	55,865*	105,363,154*	105,429,019

* These reserve accounts comprise the reserves of HK$105,429,019 (2018: HK$78,566,811) in the statement of financial position.

NOR LANKA MANUFACTURING LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		7,874,222	6,929,213
Adjustments for:			
Interest income	5	(7,297)	(33)
Depreciation	6	391,563	869,581
Finance costs	7	1,136,221	1,279,771
Write-down of inventories to net realisable value	6	-	175,797
Net fair value gains/(losses) from cash flow hedges (transfer from equity)	6	(69,415)	172,603
		9,325,294	9,426,932
Increase in inventories		(32,808,036)	(4,756,022)
Increase in trade receivables		(1,901,966)	(9,060,569)
Increase in prepayments, deposits and other receivables		(9,654,466)	(2,344,275)
Increase/(decrease) in amounts due from fellow subsidiaries		3,262,697	(6,788,030)
Decrease/(increase) in an amount due from a subsidiary		(7,381,754)	9,488,123
Increase in trade and bills payables		26,451,954	12,728,037
Increase in other payables and accruals		7,607,434	988,375
Increase in an amount due from the immediate holding company		(21,115,171)	(1,493,716)
Increase in an amount due to an intermediate holding company		804,732	855,870
Increase in amounts due to fellow subsidiaries		271,504	140,040
Change of balances of derivative financial instruments		69,685	(172,603)
Cash generated from/(used in) operations		(25,068,093)	9,012,162
Interest received		7,297	33
Interest paid		(1,136,221)	(1,279,771)
Net cash flows from/(used in) operating activities		(26,197,017)	7,732,424
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment and net cash flow used in investing activities		(126,549)	(367,180)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		45,006,071	7,040,300
Repayment of bank loans		(29,508,384)	(11,258,690)
Net cash flows from/(used in) financing activities		15,497,687	(4,218,390)

continued/...

NOR LANKA MANUFACTURING LIMITED

STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2019

	Note	2019 HK$	2018 HK$
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(10,825,879)	3,146,854
Cash and cash equivalents at beginning of year		7,582,814	4,435,960
CASH AND CASH EQUIVALENTS AT END OF YEAR		(3,243,065)	7,582,814
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		4,361,133	7,582,814
Cash and cash equivalents as stated in the statement of financial position		4,361,133	7,582,814
Bank overdraft	17	(7,604,198)	-
Cash and cash equivalents as stated in the statement of cash flows		(3,243,065)	7,582,814

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, except for derivative financial instruments which have been measured at fair value. They are presented in Hong Kong dollars ("HK$").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKFRS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 cycle	Amendments to HKFRS1 and HKAS 28

The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Company has applied prospectively, the Company has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement
The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

	Note	HKAS 39 measurement Category	HKAS 39 measurement Amount HK$	ECL HK$	HKFRS 9 measurement Amount HK$	HKFRS 9 measurement Category
Financial assets						
Trade receivables	(i)	L&R[1]	64,169,972	(303,329)	63,866,643	AC[2]
Prepayments, deposits and other receivables		L&R	20,000	-	20,000	AC
Due from fellow subsidiaries		L&R	17,860,682	-	17,860,682	AC
Due from the immediate holding company		L&R	24,553,440	-	24,553,440	AC
Due from a subsidiary		L&R	15,516,042	-	15,516,042	AC
Derivative financial instruments		FVPL	2,446	-	2,446	FVPL
Cash and cash equivalents		L&R	7,582,814	-	7,582,814	AC
			129,705,396	(303,329)	129,402,067	
Financial liabilities						
Trade payables		AC	30,685,829	-	30,685,289	AC
Other payables and accruals		AC	2,896,412	-	2,896,412	AC
Interest-bearing bank borrowings		AC	46,871,086	-	46,871,086	AC
Due to an intermediate holding company		AC	2,501,339	-	2,501,339	AC
Due to subsidiaries		AC	8	-	8	AC
Due to a fellow subsidiary		AC	140,040	-	140,040	AC
Derivative financial instruments		FVPL	55,182	-	55,182	FVPL
			83,149,896	-	83,149,896	

[1] L&R: Loans and receivables

[2] AC: Financial assets or financial liabilities at amortised cost

[3] FVPL: Financial assets or financial liabilities at fair value through profit or loss

Note:

(i) The Company has remeasured the carrying amount of the trade receivables based on the ECL allowance.

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 13 to the financial statements.

	Impairment allowances under HKAS 39 at 31 March 2018 HK$	Re-measurement HK$	ECL allowances under HKFRS 9 1 April 2018 HK$
Trade receivables	-	303,329	303,329

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)
Impact on retained profits
The impact of transition to HKFRS 9 on retained profits is as follows:

	HK$
Retained profits	
Balance as at 31 March 2018 under HKAS 39	78,619,817
Recognition of expected credit losses for trade receivables	(303,329)
Balance as at 1 April 2018 under HKFRS 9	78,316,488

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, establishes a new five-step model to account for 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 assets and liabilities account balances between periods and key judgements and estimates.

The disclosures are included in note 5 to the financial statements. The standard will supersede all current revenue recognition requirements under HKFRSs. As a result of the application of HKFRS 15, the Company has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

The Company has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was no impact to the Company's financial statements. The comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[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 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 Company's financial statements.

2.4 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
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.

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 principal annual rates used for this purpose are as follows:

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.

Investment and financial assets (policies under HKFRS 9 applicable from 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment and financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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:

The Company measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment and financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
Financial assets at fair value through profit or loss (continued)
This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. 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.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018)
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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018) (continued)
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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)
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 (policies under HKFRS 9 applicable from 1 April 2018)
The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
General approach (continued)
At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)

Simplified approach

For trade receivables that do not contain a significant financing component or when the Company applies the practical expedient of not adjusting the effect of a significant financing component, the Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)

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 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.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, 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 payables, net of directly attributable transaction costs.

The company's forward liabilities include trade payables and other payables and accruals.

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.

2.4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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 (policies under HKFRS 9 applicable from April 2018 and HKAS 39 applicable before 1 April 2018)

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.

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 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. Before 1 April 2018, the documentation included identification of the hedging instrument, the hedge item or transaction, the nature of the risk being hedged and how the Company assessed 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 were expected to be highly effective in achieving offsetting changes in fair value or cash flows and were 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 cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

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.

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 first-in, first-out basis and includes direct cost of purchase 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.

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 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 (applicable from 1 April 2018)
Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from the sale of garments is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the garments.

Other income
Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Handling fee is recognised over time when the services and rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable before 1 April 2018)

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.

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:

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgement (continued)

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 HKFRS 9.

HKFRS 9 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.

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.

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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)
Income tax and deferred tax (continued)
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.

Provision for expected credit losses on trade receivables
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 13 to the financial statements.

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.

(i) Disaggregated revenue information
The Company's entire revenue of goods transferred is recognised at a point in time.

(ii) Performance obligations
Information about the Company's performance obligations is summarised below:

Sale of garment products
The performance obligation is satisfied upon delivery of the home and garment products is generally due with 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

An analysis of revenue and other income and gains is as follows:

	2019 HK$	2018 HK$
Revenue from contracts with customers		
Sale of goods	675,504,102	626,434,459
Other income and gains		
Interest income	7,297	33
Handling income	2,891,321	2,422,313
Foreign exchange differences, net	1,265,380	234,051
Compensation from suppliers	2,724,780	4,063,243
	6,888,778	6,719,640

6. PROFIT BEFORE TAX

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

	Note	2019 HK$	2018 HK$
Cost of inventories sold		587,839,004	547,149,219
Auditor's remuneration		87,534	99,817
Depreciation		391,563	869,581
Employee benefit expense (excluding directors' remuneration (note 8)):			
Salaries and allowances		24,629,066	21,038,625
Pension scheme contributions (defined contribution scheme)		1,406,104	1,022,078
		26,035,170	22,060,703
Minimum lease payments under operating leases		141,264	153,412
Net fair value gain from cash flow hedges (transfer from equity on disposal)	16	69,415	172,603
Foreign exchange differences, net		(1,265,380)	(234,051)
Write-down of inventories to net realisable value		-	175,797

7. FINANCE COSTS

	2019 HK$	2018 HK$
Interest on bank loans and overdrafts	1,136,221	1,279,771

8. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Company during the year (2018: 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 current and prior years.

	2019 HK$	2018 HK$
Charge for the year	-	-
Overprovision in prior years	(19,172,444)	-
Total tax charge for the year	(19,172,444)	-

A reconciliation of the tax charge applicable to profit before tax at the statutory rate to the tax charge at the Company's effective tax rate is as follows:

	2019 HK$	2018 HK$
Profit before tax	7,874,222	6,929,213
Tax charge at the Hong Kong statutory tax rate	1,299,247	1,143,320
Income not subject to tax	(112,594,826)	(104,712,881)
Expenses not deductible for tax	111,295,579	103,569,561
Overprovision in prior years	(19,172,444)	-
Tax credit at the Company's effective rate	(19,172,444)	-

There was no significant unprovided deferred tax charge in respect of the year and as at the end of the reporting period (2018: Nil).

10. INVESTMENTS IN SUBSIDIARIES

	2019 HK$	2018 HK$
Unlisted investments, at cost	4,656,511	4,656,511

Information about subsidiaries

Particulars of the Company's subsidiaries as at 31 March 2019 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 2019	2018	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 2019			
At 31 March 2018 and 1 April 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
At 1 April 2018, net of accumulated depreciation	19	509,217	509,236
Additions	-	126,549	126,549
Depreciation provided during the year	(19)	(391,544)	(391,563)
At 31 March 2019, net of accumulated depreciation	-	244,222	244,222
At 31 March 2019:			
Cost	967,324	4,395,771	5,363,095
Accumulated depreciation	(967,324)	(4,151,549)	(5,118,873)
Net carrying amount	-	244,222	244,222

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture and fixtures HK$	Office equipment HK$	Total HK$
31 March 2018			
At 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

12. INVENTORIES

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

13. TRADE RECEIVABLES

	2019 HK$	2018 HK$
Trade receivables	66,071,938	64,169,972
Impairment	(303,329)	-
	65,768,609	64,169,972

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.

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 HK$	2018 HK$
At beginning of year	-	-
Impairment losses	303,329	-
At beginning of year (restated) and at end of year	303,329	-

Impairment under HKFRS 9 for the year ended 31 March 2019
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

13. TRADE RECEIVABLES (continued)

Impairment under HKFRS 9 for the year ended 31 March 2019 (continued)
Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

As at 31 March 2019

		Pass due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.43%	0.43%	2.13%	3.00%	0.46%
Gross carrying amount (HK$)	52,190,368	12,939,436	778,080	164,054	66,071,938
Expected credit losses (HK$)	225,956	55,854	16,602	4,917	303,329

Impairment under HKAS 39 for the year ended 31 March 2018
An ageing analysis of the trade receivables as at 31 March 2018 that were past due but not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2018 HK$
Neither past due nor impaired	39,782,164
Past due but not impaired:	
Less than one month	17,111,707
One to three months	6,932,407
Over three months	343,694
	64,169,972

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.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 HK$	2018 HK$
Prepayments	26,365,581	16,603,757
Deposits	20,000	20,000
Other receivables	-	107,358
	26,385,581	16,731,115

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

	2019 HK$	2018 HK$
Other payables	9,860,898	2,400,845
Accruals	642,948	495,567
	10,503,846	2,896,412

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

16. DERIVATIVE FINANCIAL INSTRUMENTS

Assets

	2019 HK$	2018 HK$
Forward currency contracts	62,545	2,446

Liabilities

	2019 HK$	2018 HK$
Forward currency contracts	(6,680)	(55,182)

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 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 2019, the Company held 9 (2018: 4) forward currency contracts designated as hedges in respect of expected future sales to customers in the United Kingdom and Europe for which the Company has 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 2019 and July 2019 were assessed to be highly effective and net gain of HK$108,871 (2018: HK$105,544) were included in the hedging reserve as follows:

	2019 HK$	2018 HK$
Total fair value losses/(gains) included in the hedging reserves	(178,286)	67,059
Reclassified from other comprehensive income to the statement of profit or loss (note 6)	69,415	(172,603)
Net gains on cash flow hedges	(108,871)	(105,544)

17. INTEREST-BEARING BANK BORROWINGS

	2019			2018		
	Contractual Interest rate (%) per annum	Maturity	HK$	Contractual interest rate (%) per annum	Maturity	HK$
Trust receipt loans*	Cost of funding plus 2.25%	2019/ on demand	34,086,945	Cost of funding plus 2.25%	2018/ on demand	1,796,156
Bank overdraft*	1.5% p.a.	2019/ on demand	7,604,198	-	-	-
Factoring*	1.25% p.a. over BFR^^ with recourse term	2019/ on demand	12,488,614	1.25% p.a. over BFR^^ with recourse term	2018/ on demand	4,359,217
Import loans*	LIBOR# plus 2% and 2.00% p.a. over BFR^^	2019/ on demand	15,793,214	LIBOR # plus 2%	2018/ on demand	40,715,713
			69,972,971			46,871,086

* Denominated in US$
\# London Interbank Offered Rate ("LIBOR")
^^ 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. SHARE CAPITAL

	2019 HK$	2018 HK$
Issued and fully paid:		
10,000 (2018: 10,000) ordinary shares	10,000	10,000

19. NOTE TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Bank loans HK$
At 1 April 2018	46,871,086
Changes from financing cash flows	15,497,687
At 31 March 2019	62,368,773

20. CONTINGENT LIABILITIES

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

	2019 HK$	2018 HK$
Guarantees given to banks in connection with facilities granted to the immediate holding company	158,920,000	50,000,000

At 31 March 2019, the banking facilities guaranteed by the Company to the immediate holding company were utilised to the extent of approximately HK$61,147,983 (2018: HK$23,935,373).

21. 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	2019 HK$	2018 HK$
Immediate holding company:			
Commission fee paid	(i)	-	165,024
Sales of goods	(ii)	103,251,934	86,894,156
Intermediate holding company:			
Marketing fees paid	(iv)	11,670,000	11,670,000
Management fees paid	(iv)	2,100,784	2,412,047
Fellow subsidiaries:			
Sales of goods	(ii)	23,600,358	13,496,084
Purchase of goods	(v)	-	189,427
Sampling fees paid	(vi)	-	786,297
Sampling fees received	(viii)	-	531,614
Rental fees paid	(ix)	-	121,927
Handling fees received	(x)	-	1,158,327
Support services paid	(iii)	-	722,160
Commission fee paid	(vii)	846,588	-
Subsidiaries:			
Purchase of goods	(v)	42,742,388	43,556,765

21. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

(i) 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.

(ii) The sales were made according to the prices and conditions mutually agreed between the Company and the respective related parties.

(iii) The support services paid were charged based on terms mutually agreed by the Company and the respective related parties.

(iv) The management fees and marketing fees paid were based on terms mutually agreed between the Company and the respective related parties.

(v) The purchases were made according to the prices and conditions mutually agreed between the Company and the respective related parties.

(vi) The sampling fees paid were charged at terms mutually agreed between the Company and the fellow subsidiaries.

(vii) The commission fee paid were based on terms mutually agreed by the Company and the fellow subsidiary.

(viii) The sampling fees received were charged based on terms mutually agreed between the Company and the fellow subsidiary.

(ix) The rental fees paid were based on the area of the office space occupied and on terms mutually agreed between the Company and the fellow subsidiary.

(x) The handling fees received were charged based on terms mutually agreed between the Company and the fellow subsidiary.

21. 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 repayable on demand.

22. 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 financial assets at amortised costs (2018: 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.

23. 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 2019 HK$	Fair values 2019 HK$	Carrying amounts 2018 HK$	Fair values 2018 HK$
Financial assets				
Derivative financial instruments	62,545	62,545	2,446	2,446
Financial liabilities				
Derivative financial instruments	6,680	6,680	55,182	55,182

23. 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 2019, 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.

23. 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 2019				
Derivative financial instruments	-	62,545	-	62,545
At 31 March 2018				
Derivative financial instruments	-	2,446	-	2,446
Liabilities measured at fair value:				
At 31 March 2019				
Derivative financial instruments	-	6,680	-	6,680
At 31 March 2018				
Derivative financial instruments	-	55,182	-	55,182

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 (2018: Nil).

24. 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
2019		
HK$	50	(290,038)
HK$	(50)	290,038

	Increase/ (decrease) in basis points %	Increase/ (decrease) in loss before tax HK$
2018		
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 1.5% in GBP (2018: 0.3%) 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.

24. 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 2019		
If HK$ weakens against GBP	10	6,208
If HK$ strengthens against GBP	(10)	(6,208)

	Change in the exchange rate %	Increase/ (decrease) in loss before tax HK$
31 March 2018		
If HK$ weakens against GBP	10	15,895
If HK$ strengthens against GBP	(10)	(15,895)

Credit risk

The Company's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts of the financial assets.

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging as at 31 March 2019 (continued)

	12-month ECLs Stage 1 HK$	Lifetime ECLs Stage 2 HK$	Stage 3 HK$	Simplified approach HK$	HK$
Trade receivables*	-	-	-	66,071,938	66,071,938
Financial assets included in prepayments, deposits and other receivables					
- Normal**	20,000	-	-	-	20,000
Due from the immediate holding company					
- Not yet past due	45,668,611	-	-	-	45,668,611
Due from fellow subsidiaries					
- Not yet past due	14,597,985	-	-	-	14,597,985
Due from a subsidiary					
- Not yet past due	22,897,796	-	-	-	22,897,796
Derivative financial instruments					
- Not yet past due	62,545	-	-	-	62,545
Cash and cash equivalents					
- Not yet past due	4,361,133	-	-	-	4,361,133
	87,608,070	-	-	66,071,938	153,680,008

* For trade receivables to which the Company applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 13 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 March 2018

The carrying amounts of trade receivables, financial assets included in prepayments, deposits and other receivables, amounts due from the immediate holding company, fellow subsidiaries and a subsidiary, derivative financial instruments and cash and cash equivalents represent the Company's maximum exposure to credit risk in relation to financial assets. All of the Company's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

24. 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 2019 and 31 March 2018.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 May 2019.

Report of the Directors and Audited Financial Statements

SPRING NEAR EAST MANUFACTURING COMPANY LIMITED

31 March 2019

EY 安永
Building a better working world

CERTIFIED TRUE COPY

ERNST & YOUNG

SPRING NEAR EAST MANUFACTURING COMPANY LIMITED

CONTENTS

SPRING NEAR EAST MANUFACTURING COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2019.

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 2019 and its financial position at that date are set out in the financial statements on pages 5 to 39.

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
Esra Tasoren

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 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

....
Pallak Seth
Chairman

Hong Kong
28 May 2019

Independent auditor's report
To the members of Spring Near East Manufacturing Company Limited
(Incorporated in Hong Kong with limited liability)

Opinion
We have audited the financial statements of Spring Near East Manufacturing Company Limited (the "Company") set out on pages 5 to 39, which comprise the statement of financial position as at 31 March 2019, 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 2019, 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.

EY安永

Independent auditor's report (continued)
To the members of Spring Near East Manufacturing Company 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 Spring Near East Manufacturing Company 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
28 May 2019

SPRING NEAR EAST MANUFACTURING COMPANY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019 GBP	2018 GBP
REVENUE	5	58,409,483	57,955,927
Cost of sales		(53,201,259)	(53,264,798)
Gross profit		5,208,224	4,691,129
Other income and gain	5	968,130	1,036,221
Selling and distribution expenses		(124,593)	(100,204)
Administrative expenses		(4,410,172)	(4,488,727)
Other operating expenses		(100,906)	(149,885)
Finance costs	7	(208,286)	(123,116)
PROFIT BEFORE TAX	6	1,332,397	865,418
Income tax expense	9	-	-
PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR		1,332,397	865,418

SPRING NEAR EAST MANUFACTURING COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 GBP	2018 GBP
NON-CURRENT ASSETS			
Property, plant and equipment	11	35,658	50,758
CURRENT ASSETS			
Trade receivables	13	2,777,577	4,633,607
Prepayments, deposits and other receivables	12	101,458	88,020
Due from the immediate holding company	20(b)	2,295,269	681,510
Due from fellow subsidiaries	20(b)	507,792	2,781,578
Due from non-controlling shareholders	20(b)	-	47,240
Time deposits	14	1,540,966	1,534,267
Cash and cash equivalents	14	2,415,845	339,393
Total current assets		9,638,907	10,105,615
CURRENT LIABILITIES			
Trade and bills payables	15	5,728,439	6,827,596
Other payables and accruals	16	246,957	12,013
Due to an intermediate holding company	20(b)	-	54,810
Due to fellow subsidiaries	20(b)	239,248	314,704
Due to a related company	20(c)	10,000	168,432
Interest-bearing bank borrowings	17	96,564	354,146
Tax payable		100,336	100,336
Total current liabilities		6,421,544	7,832,037
NET CURRENT ASSETS		3,217,363	2,273,578
Net assets		3,253,021	2,324,336
EQUITY			
Share capital	18	134,971	134,971
Reserves		3,118,050	2,189,365
Total equity		3,253,021	2,324,336

Pallak Seth
Director

Deepak Kumar Seth
Director

SPRING NEAR EAST MANUFACTURING COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Notes	Share capital GBP	Exchange reserve GBP	Retained profits GBP	Total equity GBP
At 1 April 2017		134,971	35,367	1,974,971	2,145,309
Profit and total comprehensive income for the year		-	-	865,418	865,418
Interim 2018 dividend	10	-	-	(686,391)	(686,391)
At 31 March 2018		134,971	35,367*	2,153,998*	2,324,336
Effect of adoption of HKFRS 9	2.2	-	-	(35,723)	(35,723)
At 1 April 2018 (restated)		134,971	35,367	2,118,275	2,288,613
Profit and total comprehensive income for the year		-	-	1,332,397	1,332,397
Final 2018 dividend	10	-	-	(367,989)	(367,989)
At 31 March 2019		134,971	35,367*	3,082,683*	3,253,021

* These reserve accounts comprise the reserves of GBP 3,118,050 (2018: GBP2,189,365) in the statement of financial position.

SPRING NEAR EAST MANUFACTURING COMPANY LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 GBP	2018 GBP
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,332,397	865,418
Adjustments for:			
Bank interest income	5	(6,780)	(3,278)
Depreciation	6	36,658	80,923
Finance costs	7	208,286	123,116
		1,570,561	1,066,179
Decrease/(increase) in trade receivables		1,820,307	(365,002)
Decrease/(increase) in prepayments, deposits and other receivables		(13,438)	95,415
Decrease/(increase) in amounts due from fellow subsidiaries		2,273,786	(2,039,654)
Increase/(decrease) in an amount due to a related company		(158,432)	320,605
Decrease in an amount due from non-controlling shareholders		47,240	-
Increase/(decrease) in trade and bills payables		(1,099,157)	799,570
Increase/(decrease) in other payables and accruals		234,944	(39,483)
Decrease in amounts due to fellow subsidiaries		(75,456)	(287,756)
Increase/(decrease) in an amount due to an intermediate holding company		(54,810)	45,500
Increase in an amount due from the immediate holding company		(1,613,759)	(918,768)
Cash generated from/(used in) operations		2,931,786	(1,323,394)
Interest received		6,780	3,278
Interest paid		(208,286)	(123,116)
Net cash flows from/(used in) operating activities		2,730,280	(1,443,232)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(21,558)	(21,701)
Increase in time deposits		(6,699)	(3,267)
Net cash flows used in investing activities		(28,257)	(24,968)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		96,564	144,178
Repayment of bank loans		(354,146)	-
Dividend paid		(367,989)	(686,391)
Net cash flows used in financing activities		(625,571)	(542,213)

continued/...

STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2019

	Notes	2019 GBP	2018 GBP
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,076,452	(2,010,413)
Cash and cash equivalents at beginning of year		339,393	2,349,806
CASH AND CASH EQUIVALENTS AT END OF YEAR		2,415,845	339,393
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	14	2,415,845	339,393

1. CORPORATE INFORMATION

Spring Near East Manufacturing Company 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. They have been prepared under the historical cost convention. These financial statements are presented in British Pound Sterling ("GBP").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKFRS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 cycle	Amendments to HKFRS1 and HKAS 28

The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)
With the exception of hedge accounting, which the Company has applied prospectively, the Company has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement
The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement	
	Note	Category	Amount	ECL	Amount	Category
			GBP	GBP	GBP	
Financial assets						
Trade receivables	(i)	L&R[1]	4,633,607	(35,723)	4,597,884	AC[2]
Prepayments, deposits and other receivables		L&R	16,910	-	16,910	AC
Due from fellow subsidiaries		L&R	2,781,578	-	2,781,578	AC
Due from the immediate holding company		L&R	681,510	-	681,510	AC
Due from non-controlling shareholders		L&R	47,240	-	47,240	AC
Time deposits		L&R	1,534,267	-	1,534,267	AC
Cash and cash equivalents		L&R	339,393	-	339,393	AC
			10,034,505	(35,723)	9,998,782	

[1] L&R: Loans and receivables
[2] AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The Company has remeasured the carrying amount of the trade receivables based on the ECL allowance.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)
Impairment
The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 12 to the financial statements.

	Impairment allowances under HKAS 39 at 31 March 2018	Re-measurement	ECL allowances under HKFRS 9 1 April 2018
	GBP	GBP	GBP
Trade receivables	-	35,723	35,723

Impact on reserves and retained profits
The impact of transition to HKFRS 9 on retained profits is as follows:

	GBP
Retained profits	
Balance as at 31 March 2018 under HKAS 39	2,153,998
Recognition of expected credit losses for trade receivables	(35,723)
Balance as at 1 April 2018 under HKFRS 9	2,118,275

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, establishes a new five-step model to account for 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 assets and liabilities account balances between periods and key judgements and estimates.

The disclosures are included in note 5 to the financial statements. The standard will supersede all current revenue recognition requirements under HKFRSs. As a result of the application of HKFRS 15, the Company has changed the accounting policy with respect to revenue recognition in note 3 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)
The Company has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was not significant to the Company's financial statements. The Comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

HKFRS 16 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 – leases of low-value assets and short-term leases.

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

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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Company will adopt HKFRS 16 from 1 April 2019. The Company plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate the comparatives. In addition, the Company plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Company plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During the year ended 31 March 2019, the Company has performed a high-level assessment on the impact of adoption of HKFRS 16. As disclosed in note 19 to the financial statements, at 31 March 2019, the Company had future minimum lease payments under non-cancellable operating leases in aggregate of approximately GBP140,081. The Company currently is still assessing whether, upon adoption of HKFRS 16, certain amounts included therein will need to be recognised as new right-of-use assets and lease liabilities. Further detailed analysis, however, will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to any amounts relating to leases of low value assets and short term leases, other practical expedients and reliefs chosen.

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

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Company expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Company's financial statements.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Company expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Company's financial statements.

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;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)
(b) (continued)
(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.

An assessment is made at the end of the 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)
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 improvement	Over the shorter of the lease terms and 33⅓%
Furniture and fixtures	25%
Office equipment	33⅓%
Computer equipment	33⅓%
Motor vehicle	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 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.

Financial assets (policies under HKFRS 9 applicable from 1 April 2018)
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
Initial recognition and measurement (continued)
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 financial assets at amortised cost (debt instruments)
The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets (policies under HKAS 39 applicable before 1 April 2018)
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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)
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 (policies under HKFRS 9 applicable from 1 April 2018)
The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
General approach (continued)
The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach
For trade receivables that do not contain a significant financing component or when the Company applies the practical expedient of not adjusting the effect of a significant financing component, the Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)
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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018) (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 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.

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
Initial recognition and measurement
Financial liabilities of the Company are classified, at initial recognition, as loans, borrowings and payables, as appropriate.

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

The Company's forward liabilities include trade payables and other payables and accruals

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) (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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
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 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.

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.

3. 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 future 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 the 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 (applicable from 1 April 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from the sale of garments is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the garments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable from 1 April 2018) (continued)
Other income
Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Commission income is recognised over time when the services are rendered.

Revenue recognition (applicable before 1 April 2018)
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) commission income, when the services are rendered; and

(c) 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 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.

The employees of the Company's overseas branch is required to participate in central pension scheme operated by the respective local government. These branch is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charges to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currency transactions
These financial statements are presented in GBP, 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. Differences arising on 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 JUDGEMENTS AND ESTIMATES (continued)

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

The Company measures foreign currency transactions in its functional currency. The functional currency of the Company is determined based on management's assessment of the primary economic environment in which the Company operates. When the indicators are mixed and the functional currency is not obvious, management uses its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

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.

Provision for expected credit losses on trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Provision for expected credit losses on trade receivables (continued)
The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 13 to the financial statements.

5. REVENUE, OTHER INCOME AND GAIN

Revenue represents the net invoiced value of goods sold.

(i) Disaggregated revenue information
The Company's entire revenue of goods transferred is recognised at a point in time.

(ii) Performance obligations
Information about the Company's performance obligations is summarised below:

Sale of garment products
The performance obligation is satisfied upon delivery of the garment products is generally due with 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

An analysis of revenue and other income and gain is as follows:

	2019 GBP	2018 GBP
Revenue from contracts with customers		
Sale of goods	58,409,483	57,955,927
Other income and gain		
Bank interest income	6,780	3,278
Commission income	131,260	49,092
Foreign exchange differences, net	286,130	361,897
Others	543,960	621,954
	968,130	1,036,221

6. PROFIT BEFORE TAX

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

	2019 GBP	2018 GBP
Auditor's remuneration	4,344	4,022
Depreciation	36,658	80,923
Foreign exchange gain, net	(286,130)	(361,897)
Employee benefit expense		
(excluding directors' remuneration (note 8)):		
Salaries and allowances	1,863,425	1,946,665
Pension scheme contributions		
(defined contribution schemes)	487,180	582,304
	2,350,605	2,528,969
Minimum lease payments under operating leases	215,453	247,347

7. FINANCE COSTS

	2019 GBP	2018 GBP
Interest on overdrafts	208,286	123,116

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:

	2019 GBP	2018 GBP
Fees	-	-
Other emoluments:		
Salaries and allowances	153,426	-
	153,426	-

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 (2018: Nil).

A reconciliation of the tax charge applicable to profit before tax using the Hong Kong statutory rate of 16.5% (2018: 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:

	2019 GBP	%	2018 GBP	%
Profit before tax	1,332,397		865,418	
Tax charge at the statutory tax rate	219,846	16.5	142,794	16.5
Income not subject to tax	(219,846)	(16.5)	(142,794)	(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 (2018: Nil).

10. DIVIDEND

	2019 GBP	2018 GBP
2018 Final – GBP1.840 per ordinary share	-	367,989
2018 Interim – GBP3.432 per ordinary share	-	686,391
	-	1,054,380

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement GBP	Furniture and fixtures GBP	Office equipment GBP	Computer equipment GBP	Motor vehicle GBP	Total GBP
31 March 2019						
At 31 March 2018 and 1 April 2018						
Cost	106,967	184,019	157,323	117,758	103,658	669,725
Accumulated depreciation	(100,061)	(183,374)	(147,153)	(84,721)	(103,658)	(618,967)
Net carrying amount	6,906	645	10,170	33,037	-	50,758
At 1 April 2018, net of accumulated depreciation	6,906	645	10,170	33,037	-	50,758
Additions	-	1,370	8,131	12,057	-	21,558
Depreciation provided during the year	(6,058)	(793)	(7,133)	(22,674)	-	(36,658)
At 31 March 2019, net of accumulated depreciation	848	1,222	11,168	22,420	-	35,658
At 31 March 2019:						
Cost	106,967	185,389	165,454	129,815	-	587,625
Accumulated depreciation	(106,119)	(184,167)	(154,286)	(107,395)	-	(551,967)
Net carrying amount	848	1,222	11,168	22,420	-	35,658

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvement GBP	Furniture and fixtures GBP	Office equipment GBP	Computer equipment GBP	Motor vehicle GBP	Total GBP
31 March 2018						
At 1 April 2017						
Cost	106,309	183,234	151,080	103,743	103,658	648,024
Accumulated depreciation	(73,453)	(180,066)	(136,315)	(61,836)	(86,374)	(538,044)
Net carrying amount	32,856	3,168	14,765	41,907	17,284	109,980
At 1 April 2017, net of accumulated depreciation	32,856	3,168	14,765	41,907	17,284	109,980
Additions	658	785	6,243	14,015	-	21,701
Depreciation provided during the year	(26,608)	(3,308)	(10,838)	(22,885)	(17,284)	(80,923)
At 31 March 2018, net of accumulated depreciation	6,906	645	10,170	33,037	-	50,758
At 31 March 2018:						
Cost	106,967	184,019	157,323	117,758	103,658	669,725
Accumulated depreciation	(100,061)	(183,374)	(147,153)	(84,721)	(103,658)	(618,967)
Net carrying amount	6,906	645	10,170	33,037	-	50,758

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019 GBP	2018 GBP
Prepayments	84,297	71,110
Deposits	16,910	16,910
Other receivables	251	-
	101,458	88,020

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 recent history of default.

13. TRADE RECEIVABLES

	2019 GBP	2018 GBP
Trade receivables	2,813,300	4,633,607
Impairment	(35,723)	-
	2,777,577	4,633,607

The Company's trading terms with its customers are mainly on credit. The credit period is generally within three 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 movements in the loss allowance for impairment of trade receivables are as follows:

	2019 GBP	2018 GBP
At beginning of year	-	-
Effect of adoption of HKFRS 9	35,723	-
At beginning of year (restated) and at end of year	35,723	-

Impairment under HKFRS 9 for the year ended 31 March 2019
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

13. TRADE RECEIVABLES (continued)

Impairment under HKFRS 9 for the year ended 31 March 2019 (continued)
Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

As at 31 March 2019

		Pass due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	1.07%	2.63%	50.91%	100%	1.27%
Gross carrying amount (GBP)	2,543,456	267,296	2,194	354	2,813,300
Expected credit losses (GBP)	27,215	7,037	1,117	354	35,723

Impairment under HKAS 39 for the year ended 31 March 2018
An ageing analysis of the trade receivables as at 31 March 2018 that were past due but not individually nor collectively considered to be impaired under HKAS 39 is as follows:

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2018 GBP
Neither past due nor impaired	1,727,517
Past due but not impaired	
Less than one month	2,426,359
One month to three months	461,873
Over three months	17,858
	4,633,607

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 had a good track record with the Company. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS39 was 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.

14. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS

	2019 GBP	2018 GBP
Cash and bank balances	2,415,845	339,393
Time deposits	1,540,966	1,534,267
	3,956,811	1,873,660
Less: Time deposit with original maturity of more than three months and less than one year	(1,540,966)	(1,534,267)
Cash and cash equivalents	2,415,845	339,393

Cash at banks earns interest at floating rates based on daily bank deposit rate. The bank balances and a time deposits are deposited with creditworthy banks with no recent history of default.

15. TRADE AND BILLS PAYABLES

	2019 GBP	2018 GBP
Trade payables	5,728,439	6,218,035
Bills payables	-	609,561
	5,728,439	6,827,596

Trade payable balances are non-interest-bearing and are normally due for settlement within 30 to 75 days.

16. OTHER PAYABLES AND ACCRUALS

	2019 GBP	2018 GBP
Other payables	232,458	8,070
Accrued employee benefits	10,358	436
Accruals	4,141	3,507
	246,957	12,013

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

17. INTEREST-BEARING BANK BORROWINGS

	2019			2018		
	Contractual interest rate (%)	Maturity	GBP	Contractual interest rate (%)	Maturity	GBP
Trust receipt loans	-	-	-	LIBOR+2%#	2018	133,455
Factoring	1.25% p.a. over BFR^ with recourse term	2019	96,564	1.25% p.a. over BFR^ with recourse term	2018	220,691
			96,564			354,146

London Interbank Offered Rate ("LIBOR")
^ BNP PARIBAS's Funding Rate ("BFR")

The trust receipt loans and factoring are denominated in GBP. The Company's banking facilities are pledged by guarantees of the immediate holding company.

18. SHARE CAPITAL

	2019 GBP	2018 GBP
Issued and fully paid:		
200,000 (2018: 200,000) ordinary shares	134,971	134,971

19. OPERATING LEASE ARRANGEMENTS

The Company leases its office premises under operating lease arrangements. Leases for the properties are negotiated for terms ranging from one to three years. At the end of the reporting period, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 GBP	2018 GBP
Within one year	140,081	216,639
In the second to fifth years, inclusive	-	42,996
	140,081	259,635

20. RELATED PARTY TRANSACTIONS

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

	Note	2019 GBP	2018 GBP
Intermediate holding company:			
Management fees paid	(i)	206,110	683,340
Operating expenses recharged net	(ii)	7,755	-
Immediate holding company:			
Management fees paid	(i)	140,467	-
Operating expenses recharged, net	(ii)	-	215,667
Fellow subsidiaries:			
Designing expense paid	(iii)	-	4,100
Operating expenses recharged, net	(ii)	-	1,993,081
Rental fee paid	(iv)	-	181,087
Related parties:			
Operating expenses recharged, net	(ii)	-	190

Note:

(i) The management fees paid were determined based on terms mutually agreed between the Company, an intermediate holding company and the immediate holding company.

(ii) The net operating expenses recharged were based on terms mutually agreed between the Company and the respective related party.

(iii) The designing expense paid was based on terms mutually agreed between the Company and a fellow subsidiary and the immediate holding company.

(iv) The rentals paid were based on the area of the office space occupied and on terms mutually agreed between the Company and a fellow subsidiary.

(b) Outstanding balances with related parties:

The balances with non-controlling shareholders, the immediate holding company, an intermediate holding company and fellow subsidiaries are unsecured, interest-free and repayable on demand.

20. RELATED PARTY TRANSACTIONS (continued)

(c) Particulars of amounts due from/(to) a related 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 follows:

Name	31 March 2019 GBP	Maximum amount outstanding during the year GBP	31 March 2018 GBP	Maximum amount outstanding during the year GBP	1 April 2017 GBP
Sourcing Solutions Limited	(10,000)	(168,432)	(168,432)	152,173	152,173

The related company is a joint venture of the immediate holding company, Norwest Industries Limited. In addition, Pallak Seth, a director of the Company, is a member of the key management personnel of the related company.

The amounts due from/(to) a related company are unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Company represented directors' remuneration as disclosed in note 8 to the financial statement.

21. 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, non-controlling shareholders, time deposits, and cash and cash equivalents which are categorised as financial assets at amortised cost (2018: 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 and bills payables, financial liabilities included in other payables and accruals, amounts due to an intermediate holding company, an intermediate holding company and fellow subsidiaries, a related company, and interest-bearing bank borrowings 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.

22. FAIR VALUE OR 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 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.

23. 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:

Foreign currency risk
The Company has transactional currency exposures. Such exposures mainly arise from sales or purchases in currencies (mainly Euro) other than the functional currency of the Company. The Company manages its foreign currency risk by monitoring closely the movements in exchange rates.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Euro 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 its retained profits.

	Change in the Euro exchange rate %	Increase/ (decrease) in profit before tax GBP
31 March 2019		
If GBP weakens against Euro	10	124,190
If GBP strengthens against Euro	(10)	(124,190)
31 March 2018		
If GBP weakens against Euro	10	133,466
If GBP strengthens against Euro	(10)	(133,466)

Credit risk
The Company's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging as at 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts of the financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 GBP	Stage 2 GBP	Stage 3 GBP	Simplified approach GBP	GBP
Trade receivables*	-	-	-	2,813,300	2,813,300
Financial assets included in prepayments, deposits and other receivables					
- Normal**	17,161	-	-	-	17,161
Due from the immediate holding company					
- Not yet past due	2,295,269	-	-	-	2,295,269
Due from fellow subsidiaries					
- Not yet past due	507,792	-	-	-	507,792
Time deposits					
- Not yet past due	1,540,966	-	-	-	1,540,966
Cash and cash equivalents					
- Not yet past due	2,415,845	-	-	-	2,415,845
	6,777,033	-	-	2,813,300	9,590,333

* For trade receivables to which the Company applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 13 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 March 2018

The carrying amounts of trade receivables, financial assets included in prepayments, deposits and other receivables, amounts due from the immediate holding company, fellow subsidiaries and non-controlling shareholders and cash and cash equivalents represent the Company's maximum exposure to credit risk in relation to financial assets. All of the Company's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

23. 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 its 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 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 its shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 31 March 2018.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 May 2019.

Report of the Directors and Audited Financial Statements

STYLEBERRY LIMITED

31 March 2019

安永

Building a better working world

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STYLEBERRY LIMITED

CONTENTS

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 2019.

Principal activity

The Company is engaged in the trading of garment. 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 2019 and its financial position as at that date are set out in the financial statements on pages 6 to 34.

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
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.

STYLEBERRY LIMITED

REPORT OF THE DIRECTORS (continued)

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
28 May 2019

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 34, which comprise the statement of financial position as at 31 March 2019, 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 2019, 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.

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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.

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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
28 May 2019

A member firm of Ernst & Young Global Limited

STYLEBERRY LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
REVENUE	4	51,951,072	23,817,549
Cost of sales		(46,793,330)	(20,899,115)
Gross profit		5,157,742	2,918,434
Other income and gains	4	850,300	155,297
Selling and distribution expenses		(340,457)	(357,303)
Administrative expenses		(2,791,634)	(894,031)
Other operating expenses		(111,455)	(6,851)
Finance costs	6	(182,618)	(131,669)
PROFIT BEFORE TAX	5	2,581,878	1,683,877
Income tax expense	8	-	46,475
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,581,878	1,730,552

STYLEBERRY LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$	2018 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	9	120,418	10,459
CURRENT ASSETS			
Trade and bills receivables	10	8,779,981	5,888,161
Prepayments		13,077	5,451
Due from the immediate holding company	13(b)	1,183,257	-
Due from fellow subsidiaries	13(b)	15,869	-
Cash and cash equivalents		931,749	1,333,578
Total current assets		10,923,933	7,227,190
CURRENT LIABILITIES			
Trade payables		4,184,544	2,007,001
Other payables and accruals	11	159,427	2,370,209
Due to the immediate holding company	13(b)	-	539,717
Due to an intermediate holding company	13(b)	60,933	198,779
Due to fellow subsidiaries	13(b)	2,109,415	155,296
Total current liabilities		6,514,319	5,271,002
NET CURRENT ASSETS		4,409,614	1,956,188
Net assets		4,530,032	1,966,647
EQUITY			
Share capital	12	77,800	77,800
Retained profits		4,452,232	1,888,847
Total equity		4,530,032	1,966,647

Pallak Seth
Director

Deepak Kumar Seth
Director

STYLEBERRY LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Note	Share capital HK$	Retained profits HK$	Total equity HK$
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
Effect of adoption of HKFRS 9	2.2	-	(18,493)	(18,493)
At 1 April 2018 (restated)		77,800	1,870,354	1,948,154
Profit and total comprehensive income for the year		-	2,581,878	2,581,878
At 31 March 2019		77,800	4,452,232	4,530,032

STYLEBERRY LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,581,878	1,683,877
Adjustment for:			
Depreciation	5	29,820	4,601
Finance costs	6	182,618	131,669
Interest income	4	(84)	-
Impairment of trade and bills receivables	5	20,394	-
		2,814,626	1,820,147
Increase in trade and bills receivables		(2,930,707)	(2,461,910)
Increase in prepayments		(7,626)	(5,451)
Increase in trade payables		2,177,543	1,878,259
Increase/(decrease) in other payables and accruals		(2,210,782)	2,295,752
Change in balance with the immediate holding company		(1,722,974)	(2,419,694)
Increase/(decrease) in an amount due to an intermediate holding company		(137,846)	198,779
Change in balance with fellow subsidiaries		1,938,250	155,296
Cash generated from/(used in) operations		(79,516)	1,461,178
Interest paid		(182,618)	(131,669)
Interest received		84	-
Net cash flows from/(used in) operating activities		(262,050)	1,329,509
CASH FLOW USED IN AN INVESTING ACTIVITY			
Purchases of items of property, plant and equipment		(139,779)	(15,060)
NET INCREASE/(DERCREASE) IN CASH AND CASH EQUIVALENTS		(401,829)	1,314,449
Cash and cash equivalents at beginning of year		1,333,578	19,129
CASH AND CASH EQUIVALENTS AT END OF YEAR		931,749	1,333,578
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		931,749	1,333,578

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 Company has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKFRS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 cycle	Amendments to HKFRS1 and HKAS 28

The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

With the exception of hedge accounting, which the Company has applied prospectively, the Company has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement	
	Note	Category	Amount	ECL	Amount	Category
			HK$	HK$	HK$	
Financial assets						
Trade and bills receivables	(i)	L&R[1]	5,888,161	(18,493)	5,869,668	AC[2]
Cash and cash equivalents		L&R	1,333,578	-	1,333,578	AC
			7,221,739	(18,493)	7,203,246	
Financial liabilities						
Trade payables		AC	2,007,001	-	2,007,001	AC
Other payables and accruals		AC	2,370,209	-	2,370,209	AC
Due to the immediate holding company		AC	539,717	-	539,717	AC
Due to an intermediate holding company		AC	198,779	-	198,779	AC
Due to a fellow subsidiary		AC	155,296	-	155,296	AC
			5,271,002	-	5,271,002	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The Company has remeasured the carrying amount of the trade and bills receivables based on the ECL allowance.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 10 to the financial statements.

	Impairment allowances under HKAS 39 at 31 March 2018 HK$	Re-measurement HK$	ECL allowances under HKFRS 9 1 April 2018 HK$
Trade and bills receivables	-	18,493	18,493

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	HK$
Retained profits	
Balance as at 31 March 2019 under HKAS 39	1,888,847
Recognition of expected credit losses for trade and bills receivables	(18,493)
Balance as at 1 April 2019 under HKFRS 9	1,870,354

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, establishes a new five-step model to account for 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 assets and liabilities account balances between periods and key judgements and estimates.

The disclosures are included in note 4 to the financial statements. The standard will supersede all current revenue recognition requirements under HKFRSs. As a result of the application of HKFRS 15, the Company has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

The Company has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was not significant to the Company's financial statements. The Comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 and 31 March 2019 as a result of the adoption of HKFRS 15. The adoption of HKFRS 15 has had no impact on other comprehensive income or on the Company's operating, investing and financing cash flows. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Statement of financial position as at 1 April 2018:

		Amounts prepared under		
			Previous	Increase/
		HKFRS 15	HKFRS	(decrease)
	Note	HK$	HK$	HK$
Contract liabilities	(i)	2,237,582	-	2,237,582
Other payables and accruals	(i)	132,627	2,370,209	(2,237,582)

Statement of financial position as at 31 March 2019:

		Amounts prepared under		
			Previous	Increase/
		HKFRS 15	HKFRS	(decrease)
	Note	HK$	HK$	HK$
Contract liabilities	(i)	22,518	-	22,518
Other payables and accruals	(i)	136,909	159,427	(22,518)

The nature of the adjustments as at 1 April 2018 and the reasons for the significant changes in the statement of financial position as at 31 March 2019 are described below:

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)

(i) Consideration received from customers in advance

Before the adoption of HKFRS 15, the Company recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amounts are classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Company reclassified HK$2,237,582 from other payables and accruals to contract liabilities as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018.

As at 31 March 2019, under HKFRS 15, HK$22,518 was reclassified from other payables and accruals to contract liabilities in relation to the consideration received from customers in advance.

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
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 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 Company's financial statements.

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.

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.

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 principal annual rates used for this purpose are as follows:

Computer equipment	33⅓%
Furniture and fixtures	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.

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.

Financial assets (policies under HKFRS 9 applicable from 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
Initial recognition and measurement (continued)
In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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 financial assets at amortised cost (debt instruments)
The Company measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets (policies under HKAS 39 applicable before 1 April 2018)
Initial recognition and measurement
Financial assets 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)
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 (policies under HKFRS 9 applicable from 1 April 2018)
The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
General approach (continued)
At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach
For trade receivables that do not contain a significant financing component or when the Company applies the practical expedient of not adjusting the effect of a significant financing component, the Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)
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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018) (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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

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 payables and other payables and accruals.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)
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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)
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.

Revenue recognition (applicable from 1 April 2018)
Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from the sale of garments is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the garments.

Other income
Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (applicable before 1 April 2018)
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.

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.

Provision for expected credit losses on trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 10 to the financial statements.

4. REVENUE AND OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold.

(i) Disaggregated revenue information
The Company's entire revenue of goods transferred is recognised at a point in time.

(ii) Performance obligations
Information about the Company's performance obligations is summarised below:

Sale of home and garment products
The performance obligation is satisfied upon delivery of the home and garment products is generally due with 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

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

	2019 HK$	2018 HK$
Bank interest income	84	-
Foreign exchange differences, net	-	81,347
Recovery of fees from customers	-	37,358
Penalty income from suppliers	834,347	30,368
Testing charges	15,869	6,224
	850,300	155,297

5. PROFIT BEFORE TAX

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

	2019 HK$	2018 HK$
Cost of inventories sold	46,793,330	20,899,115
Auditor's remuneration	27,600	20,000
Depreciation	29,820	4,601
Impairment of trade and bills receivables	20,394	-
Foreign exchange differences, net	55,255	(81,347)

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 (2018: Nil).

8. INCOME TAX

No provision for Hong Kong profits tax has been provided for the year as the Company did not generate any assessable profits arising in Hong Kong during the year (2018: tax refund HK$46,475).

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:

	2019		2018	
	HK$	%	HK$	%
Profit before tax	2,581,878		1,683,877	
Tax at the statutory tax rate of 16.5% (2018: 16.5%)	426,010	16.5	277,839	16.5
Adjustment in respect of current tax of previous period	-	-	(46,475)	(2.8)
Income not subject to tax	(851,027)	(33.0)	(481,542)	(28.6)
Expenses not deductible for tax	425,017	16.5	203,703	12.1
Tax at the effective tax rate	-	-	(46,475)	(2.8)

There was no unprovided deferred tax in respect of the year and as at the end of the reporting period (2018: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment HK$	Furniture and fixtures HK$	Office equipment HK$	Total HK$
31 March 2019				
At 31 March 2018 and at 1 April 2018:				
Cost	15,060	-	-	15,060
Accumulated depreciation	(4,601)	-	-	(4,601)
Net carrying amount	10,459	-	-	10,459
At 31 March 2018 and at 1 April 2018:	10,459	-	-	10,459
Additions	71,811	25,538	42,430	139,779
Depreciation provided during the year	(16,015)	(5,474)	(8,331)	(29,820)
At 31 March 2019, net of accumulated depreciation	66,255	20,064	34,099	120,418
At 31 March 2019:				
Cost	86,871	25,538	42,430	154,839
Accumulated depreciation	(20,616)	(5,474)	(8,331)	(34,421)
Net carrying amount	66,255	20,064	34,099	120,418

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	Computer equipment HK$	Furniture and fixtures HK$	Office equipment HK$	Total HK$
31 March 2018				
At 1 April 2017, net of accumulated depreciation	-	-	-	-
At 1 April 2017:				
Additions	15,060	-	-	15,060
Accumulated depreciation	(4,601)	-	-	(4,601)
At 31 March 2018, net of accumulated depreciation	10,459	-	-	10,459
At 31 March 2018:				
Cost	15,060	-	-	15,060
Accumulated depreciation	(4,601)	-	-	(4,601)
Net carrying amount	10,459	-	-	10,459

10. TRADE AND BILLS RECEIVABLES

	2019 HK$	2018 HK$
Trade receivables	7,533,926	5,625,228
Bills receivables	1,284,942	262,933
	8,818,868	5,888,161
Impairment	(38,887)	-
	8,779,981	5,888,161

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 movements in the loss allowance for impairment of trade receivables are as follows:

	2019 HK$	2018 HK$
At beginning of year	-	-
Effect of adoption of HKFRS 9	18,493	-
At beginning of year (restated)	18,493	-
Impairment losses (note 5)	20,394	-
At end of year	38,887	-

Impairment under HKFRS 9 for the year ended 31 March 2019
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

As at 31 March 2019

		Pass due			
	Current	Less than 1 month	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.30%	0.30%	0.39%	0.94%	0.44%
Gross carrying amount (HK$)	6,116,631	500,130	292,440	1,909,667	8,818,868
Expected credit losses (HK$)	18,457	1,445	1,126	17,859	38,887

10. TRADE AND BILLS RECEIVABLES (continued)

Impairment under HKAS 39 for the year ended 31 March 2018
An ageing analysis of the trade receivables as at 31 March 2018 that were past due but not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2018 HK$
Neither past due nor impaired	5,812,894
Past due but not impaired:	
Less than one month	42,683
One to three months	-
Over three months	32,584
	5,888,161

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

	Note	2019 HK$	2018 HK$
Accruals		136,909	132,627
Receipts in advance		-	2,237,582
Contract liabilities	(i)	22,518	-
		159,427	2,370,209

(i) Details of contract liabilities as at 31 March 2019 and 1 April 2018 are as follows

	2019 HK$	2018 HK$
Short-term advances received from customers		
Sales of goods	22,518	2,237,582

Contract liabilities include short-term advances received to deliver garment products.

12. SHARE CAPITAL

	2019 HK$	2018 HK$
Issued and fully paid:		
10,000 (2018: 10,000) ordinary shares	77,800	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	2019 HK$	2018 HK$
Intermediate holding company:			
Management fees paid	(i)	243,732	183,219
Immediate holding company:			
Compliance fees paid	(ii)	216,595	200,825
Commissions paid	(iii)	-	18,588
Fellow subsidiaries:			
Purchase of goods	(iv)	5,359,495	-
Commissions paid	(iii)	8,191	-

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 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 respective related parties.

(iv) The purchases were made according to the prices and conditions mutually agreed between the Company and the fellow subsidiaries.

13. RELATED PARTY TRANSACTIONS (continued)

(b) Outstanding balances with related parties

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

(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 financial assets at amortised cost (2018: 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 2019 (2018: Nil).

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Credit risk
The Company's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)
Maximum exposure and year-end staging as at 31 March 2019
The table below shows the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts of the financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	
	HK$	HK$	HK$	HK$	HK$
Trade and bills receivables*	-	-	-	8,818,868	8,818,868
Due from a fellow subsidiary					
- Not yet past due	15,869	-	-	-	15,869
Due from immediate holding company					
- Not yet past due	1,183,257	-	-	-	1,183,257
Cash and cash equivalents					
- Not yet past due	931,749	-	-	-	931,749
	2,130,875	-	-	8,818,868	10,949,743

* For trade receivables to which the Company applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 10 to the financial statements.

Maximum exposure as at 31 March 2018
The carrying amounts of trade receivables and cash and cash equivalents represent the Company's maximum exposure to credit risk in relation to financial assets. All of the Company's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

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.

16. 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 year ended 31 March 2019 and 31 March 2018.

17. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 May 2019.

Report of the Directors and Audited Financial Statements

TWINS ASIA LIMITED

31 March 2019

EY 安永

Building a better working world

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TWINS ASIA LIMITED

CONTENTS

TWINS 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 2019.

Principal activity
The Company's principal activity has not changed during the year and consisted of the trading of garment.

Results and dividend
The Company's profit for the year ended 31 March 2019 and its financial position at that date are set out in the financial statements on pages 5 to 36.

An interim dividend of HK$62.24 per ordinary share totalling HK$6,224,000 was paid during the year. The directors do not recommend of a payment of a final dividend in receipt of the year.

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 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 director 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
28 May 2019

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Independent auditor's report
To the members of Twins Asia Limited
(Incorporated in Hong Kong with limited liability)

Opinion
We have audited the financial statements of Twins Asia Limited (the "Company") set out on pages 5 to 36, which comprise the statement of financial position as at 31 March 2019, 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 2019, 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.

Independent auditor's report (continued)
To the members of Twins Asia 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 Twins Asia 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
28 May 2019

TWINS ASIA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
REVENUE	5	441,501,315	416,689,808
Cost of sales		(403,205,662)	(384,226,420)
Gross profit		38,295,653	32,463,388
Other income and gain	5	2,628,399	475,003
Selling and distribution expenses		(4,115,994)	(289,945)
Administrative expenses		(11,286,286)	(11,039,723)
Other operating expenses		(528,637)	(75,898)
Finance costs	7	(9,069,765)	(7,082,103)
PROFIT BEFORE TAX	6	15,923,370	14,450,722
Income tax expense	9	-	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		15,923,370	14,450,722

TWINS ASIA LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2019

	Notes	2019 HK$	2018 HK$
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,721,026	250,250
CURRENT ASSETS			
Trade receivables	12	29,700,726	48,166,269
Deposits and other receivables		170,526	28,469
Due from the immediate holding company	16(b)	54,262,926	35,414,249
Due from fellow subsidiaries	16(b)	113,541	-
Cash and cash equivalents		11,000,979	1,160,223
Total current assets		95,248,698	84,769,210
CURRENT LIABILITIES			
Trade and bills payables		30,355,259	30,168,427
Other payables and accruals	13	1,907,773	625,949
Interest-bearing bank borrowings	14	40,002,634	39,143,969
Due to an intermediate holding company	16(b)	-	157,545
Due to fellow subsidiaries	16(b)	1,160,862	767,117
Total current liabilities		73,426,528	70,863,007
NET CURRENT ASSETS		21,822,170	13,906,203
Net assets		23,543,196	14,156,453
EQUITY			
Share capital	16	778,000	778,000
Retain profits		22,765,196	13,378,453
Total equity		23,543,196	14,156,453

Deepak Kumar Seth
Director

Pallak Seth
Director

TWINS ASIA LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2019

	Notes	Share capital HK$	Retain profits/ (accumulated losses) HK$	Total equity/ (net deficiency in assets) HK$
At 1 April 2017		778,000	(1,072,269)	(294,269)
Profit and total comprehensive income for the year			14,450,722	14,450,722
At 31 March 2018		778,000	13,378,453	14,156,453
Effect of adoption of HKFRS 9	2.2	-	(312,627)	(312,627)
At 1 April 2018 (restated)		778,000	13,065,826	13,843,826
Profit and total comprehensive income for the year		-	15,923,370	15,923,370
Interim 2019 dividend	10	-	(6,224,000)	(6,224,000)
At 31 March 2019		778,000	22,765,196	23,543,196

TWINS ASIA LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	Notes	2019 HK$	2018 HK$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		15,923,370	14,450,722
Adjustments for:			
Interest income	5	-	(18)
Depreciation	6	414,367	75,898
Finance costs	7	9,069,765	7,082,103
		25,407,502	21,608,705
Decrease/(increase) in trade receivables		18,152,916	(21,306,441)
Decrease/(increase) in deposits and other receivables		(142,057)	310,598
Increase in amounts due from fellow subsidiaries		(113,541)	-
Increase in an amount due from the immediate holding company		(18,848,677)	(33,965,323)
Increase in trade and bills payables		186,832	9,810,438
Increase/(decrease) in other payables and accruals		1,281,824	(516,646)
Decrease in an amount due to an intermediate holding company		(157,545)	(262,575)
Increase/(decrease) in amounts due to fellow subsidiaries		393,745	(318,683)
Cash generated from/(used) in operations		26,160,999	(24,639,927)
Interest paid		(9,069,765)	(7,082,103)
Net cash flows from/(used in) operating activities		17,091,234	(31,722,030)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(1,885,143)	(179,779)
Interest received		-	18
Net cash flows used in investing activities		(1,885,143)	(179,761)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank borrowings		(270,576,086)	(101,569,888)
New bank loans		271,434,751	131,977,230
Dividend paid	10	(6,224,000)	-
Net cash flows from/(used in) financing activities		(5,365,335)	30,407,342
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9,840,756	(1,494,449)
Cash and cash equivalents at beginning of year		1,160,223	2,654,672
CASH AND CASH EQUIVALENTS AT END OF YEAR		11,000,979	1,160,223
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		11,000,979	1,160,223

1. CORPORATE INFORMATION

Twins 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, Hong Kong.

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 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 new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKFRS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 cycle	Amendments to HKFRS 1 and HKAS 28

The nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)
With the exception of hedge accounting, which the Company has applied prospectively, the Company has recognised the transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement
The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

		HKAS 39 measurement			HKFRS 9 measurement	
	Note	Category	Amount	ECL	Amount	Category
			HK$	HK$	HK$	
Financial assets						
Trade receivables	(i)	L&R[1]	48,166,269	(312,627)	47,853,642	AC[2]
Deposits and other receivables		L&R	28,469	-	28,469	AC
Due from the immediate holding company		L&R	35,414,249	-	35,414,249	AC
Cash and cash equivalents		L&R	1,160,223	-	1,160,223	AC
			84,769,210	(312,627)	84,456,583	
Financial liabilities						
Trade and bills payables		AC	30,168,427	-	30,168,427	AC
Financial liabilities included in other payables and accruals		AC	31,000	-	31,000	AC
Interest-bearing bank borrowings		AC	39,143,969	-	39,143,969	AC
Due to an intermediate holding company		AC	157,545	-	157,545	AC
Due to fellow subsidiaries		AC	767,117	-	767,117	AC
			70,268,058	-	70,268,058	

[1] L&R: Loans and receivables
[2] AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The Company has remeasured the carrying amount of the trade receivables based on the ECL allowance.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) (continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 12 to the financial statements.

	Impairment allowances under HKAS 39 at 31 March 2018 HK$	Re-measurement HK$	ECL allowances under HKFRS 9 1 April 2018 HK$
Trade receivables	-	312,627	312,627

Impact on retained profits

The impact of transition to HKFRS 9 on retained profits is as follows:

	HK$
Retained profits	
Balance as at 31 March 2018 under HKAS 39	13,378,453
Recognition of expected credit losses for trade receivables	(312,627)
Balance as at 1 April 2018 under HKFRS 9	13,065,826

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, establishes a new five-step model to account for 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 assets and liabilities account balances between periods and key judgements and estimates.

The disclosures are included in notes 5 to the financial statements. The standard will supersede all current revenue recognition requirements under HKFRSs. As a result of the application of HKFRS 15, the Company has changed the accounting policy with respect to revenue recognition in note 3 to the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) (continued)
The Company has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was not significant to the Company's financial statements. The Comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

HKFRS 16 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 – leases of low-value assets and short-term leases.

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

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, or relates to a class of property, plant and equipment to which the revaluation model is applied. 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. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Company will adopt HKFRS 16 from 1 April 2019. The Company plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 April 2019 and will not restate the comparatives. In addition, the Company plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Company plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During the year ended 31 March 2019, the Company has performed a high-level assessment on the impact of adoption of HKFRS 16. As disclosed in note 17 to the financial statements, at 31 March 2019, the Company had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$97,604. The Company currently is still assessing whether, upon adoption of HKFRS 16, certain amounts included therein will need to be recognised as new right-of-use assets and lease liabilities. Further detailed analysis, however, will be needed to determine the amount of new right-of-use assets and lease liabilities to be recognised, including, but not limited to any amounts relating to leases of low value assets and short term leases, other practical expedients and reliefs chosen.

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

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Company expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Company's financial statements.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Company expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Company's financial statements.

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;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)
(b) (continued)

(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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)
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, furniture and fixtures and leasehold improvement 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.

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.

Financial assets (policies under HKFRS 9 applicable from 1 April 2018)
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient of not adjusting the effect of a significant financing component, the Company initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
Initial recognition and measurement (continued)
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 financial assets at amortised cost (debt instruments)
The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets (policies under HKAS 39 applicable before 1 April 2018)
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 profit or loss. The loss arising from impairment is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)

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 (policies under HKFRS 9 applicable from 1 April 2018)

The Company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) (continued)
General approach (continued)
At each reporting date, the Company assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach
For trade receivables that do not contain a significant financing component or when the Company applies the practical expedient of not adjusting the effect of a significant financing component, the Company applies the simplified approach in calculating ECLs. Under the simplified approach, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)
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 profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

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 payables and other payables and accruals.

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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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 (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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 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 (applicable from 1 April 2018)
Revenue from contracts with customers
Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

Revenue from the sale of garments is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the garments.

Other income
Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Revenue recognition (applicable before 1 April 2018)
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.

3. 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.

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.

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.

Provision for expected credit losses on trade receivables
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)
Provision for expected credit losses on trade receivables (continued)
The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in note 12 to the financial statements.

5. REVENUE, OTHER INCOME AND GAIN

Revenue represents the net invoiced value of goods sold.

(i) Disaggregated revenue information
The Company's entire revenue of goods transferred is recognised at a point in time.

(ii) Performance obligations
Information about the Company's performance obligations is summarised below:

Sale of garment products
The performance obligation is satisfied upon delivery of the garment products is generally due with 30 to 90 days from delivery, except for new customers, where payment in advance is normally required.

An analysis of revenue, other income and gain is as follows:

	2019 HK$	2018 HK$
Revenue from contracts with customers		
Sale of goods	441,501,315	416,689,808
Other income and gain		
Interest income	-	18
Compensation from suppliers	2,598,426	178,954
Foreign exchange differences, net	-	296,031
Others	29,973	-
	2,628,399	475,003

6. PROFIT BEFORE TAX

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

	2019 HK$	2018 HK$
Auditor's remuneration	41,200	31,000
Depreciation	414,367	75,898
Foreign exchange difference, net	4,819	(296,031)
Minimum lease payments under operating leases	647,428	511,482
Employee benefit expense (excluding directors' remuneration (note 8)):		
Salaries and allowances	3,903,005	3,902,806

7. FINANCE COSTS

	2019 HK$	2018 HK$
Interest on bank loans	7,718,813	6,360,756
Interest on letters of credit	1,041,773	715,417
Others	309,179	5,930
	9,069,765	7,082,103

8. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Company during the year (2018: Nil).

9. 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 (2018: Nil).

A reconciliation of the tax expense applicable to profit before tax using the Hong Kong statutory rate of 16.5% (2018: 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:

	2019 HK$	%	2018 HK$	%
Profit before tax	15,923,370		14,450,722	
Tax expense at the statutory tax rate	2,627,356	16.5	2,384,369	16.5
Income not subject to tax	(2,627,356)	(16.5)	(2,384,369)	(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 (2018: Nil).

10. DIVIDEND

	2019 HK$	2018 HK$
Interim dividend declared - HK$62.24 (2018: Nil) per ordinary share	6,224,000	-

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK$	Furniture and fixtures HK$	Office equipment HK$	Total HK$
31 March 2019				
At 31 March 2018 and at 1 April 2018:				
Cost	46,861	1,974	283,693	332,528
Accumulated depreciation	(14,886)	(657)	(66,735)	(82,278)
Net carrying amount	31,975	1,317	216,958	250,250
At 1 April 2018, net of accumulated depreciation	31,975	1,317	216,958	250,250
Additions	-	1,253,790	631,353	1,885,143
Depreciation provided during the year	(24,132)	(197,230)	(193,006)	(414,367)
At 31 March 2019, net of accumulated depreciation	7,843	1,057,877	655,306	1,721,026
At 31 March 2019:				
Cost	46,861	1,255,764	915,046	2,217,671
Accumulated depreciation	(39,018)	(197,887)	(259,740)	(496,645)
Net carrying amount	7,843	1,057,877	655,306	1,721,026

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvement HK$	Furniture and fixtures HK$	Office equipment HK$	Total HK$
31 March 2018				
At 1 April 2017:				
Cost	-	-	152,749	152,749
Accumulated depreciation	-	-	(6,380)	(6,380)
Net carrying amount	-	-	146,369	146,369
At 1 April 2017, net of accumulated depreciation:	-	-	146,369	146,369
Additions	46,861	1,974	130,944	179,779
Depreciation provided during the year	(14,886)	(657)	(60,355)	(75,898)
At 31 March 2018, net of accumulated depreciation	31,975	1,317	216,958	250,250
At 31 March 2018:				
Cost	46,861	1,974	283,693	332,528
Accumulated depreciation	(14,886)	(657)	(66,735)	(82,278)
Net carrying amount	31,975	1,317	216,958	250,250

12. TRADE RECEIVABLES

	2019 HK$	2018 HK$
Trade receivables	30,013,353	48,166,269
Impairment	(312,627)	-
	29,700,726	48,166,269

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.

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 HK$	2018 HK$
At beginning of year	-	-
Effect of adoption of HKFRS 9	312,627	-
At beginning of year (restated) and at end of year	312,627	-

Impairment under HKFRS 9 for the year ended 31 March 2019
An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

12. TRADE RECEIVABLES (continued)

Impairment under HKFRS 9 for the year ended 31 March 2019 (continued)
Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix:

As at 31 March 2019

		Pass due		
	Current	Less than 1 month	1 to 3 months	Total
Expected credit loss rate	1.04%	1.04%	1.04%	1.04%
Gross carrying amount (HK$)	29,917,109	13,859	82,385	30,013,353
Expected credit losses (HK$)	311,625	144	858	312,627

Impairment under HKAS 39 for the year ended 31 March 2018
An ageing analysis of the trade receivables as at 31 March 2018 that were past due but not individually nor collectively considered to be impaired under HKAS 39 is as follows:-

	2018 HK$
Neither past due nor impaired	37,416,813
Past due but not impaired:	
One to three months	10,749,456
	48,166,269

Receivables that were neither pas due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Company. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances under HKAS 39 was necessary in respect of these balance as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

13. OTHER PAYABLES AND ACCRUALS

	2019 HK$	2018 HK$
Accrued employee benefits	1,834,736	594,949
Accruals	73,037	31,000
	1,907,773	625,949

14. INTEREST-BEARING BANK BORROWINGS

	2019 HK$	2018 HK$
Trust receipt loans	40,002,634	39,143,969

The trust receipt loans as at 31 March 2019 were denominated in United States dollars (2018: United States dollars), interest-bearing at cost of funding LIBOR plus 2% (2018: LIBOR plus 2%) per annum and will be matured in 2019 (2018: matured in 2018).

The Company's interest-bearing bank borrowings are secured by guarantees from an intermediate holding company and directors of the immediate holding company.

15. SHARE CAPITAL

	2019 HK$	2018 HK$
Issued and fully paid:		
100,000 (2018: 100,000) ordinary shares	778,000	778,000

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:

	Note	2019 HK$	2018 HK$
Intermediate holding company:			
Management fees paid	(i)	641,850	583,500

Note:

(i) The management fees paid were based on terms mutually agreed by the Company and an intermediate holding company.

(b) The balances with the immediate holding company, an intermediate holding company and fellow subsidiaries are unsecured, interest-free and repayable on demand.

17. OPERATING LEASE ARRANGEMENTS

The Company leases certain of its office properties under operating lease arrangements. Leases for these properties are negotiated for term of one year. At 31 March 2019, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 HK$	2018 HK$
Within one year	97,604	83,244
	97,604	83,244

18. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade receivables, an amount due from the immediate holding company and cash and cash equivalents which are categorised as financial assets at amotised cost (2018: loans and receivables). The carrying amounts of these financial assets are the amounts shown on the statement of financial position.

18. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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 the immediate holding company, an intermediate holding company and fellow subsidiaries, 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 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.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial assets and financial liabilities comprise trade receivables, cash and cash equivalents, trade and bills payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and balances with the immediate holding company, an intermediate holding company and fellow subsidiaries. The main risks related to these financial instruments and the corresponding management objectives and policies are summarised below.

Credit risk
The Company's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 March 2019
The table below shows the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts of the financial assets.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Maximum exposure and year-end staging as at 31 March 2019 (continued)

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$	Stage 2 HK$	Stage 3 HK$	Simplified approach HK$	HK$
Trade receivables*	-	-	-	30,013,353	30,013,353
Deposits and other receivables					
- Normal**	170,526	-	-	-	170,526
Due from the immediate holding company					
- Not yet past due	54,262,926	-	-	-	54,262,926
Due from fellow subsidiaries					
- Not yet past due	113,541	-	-	-	113,541
Cash and cash equivalents					
- Not yet past due	11,000,979	-	-	-	11,000,979
	65,547,972	-	-	30,013,353	95,561,325

* For trade receivables to which the Company applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 12 to the financial statements.

** The credit quality of the financial assets included in deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

The carrying amounts of trade receivables, an amount due from the immediate holding company and cash and cash equivalents represent the Company's maximum exposure to credit risk in relation to financial assets. All of the Company's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality. In addition, receivable balances are monitored on an ongoing basis and the Company's exposure to bad debts is not significant.

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.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either are repayable on demand or 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 issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 31 March 2018.

21. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 May 2019.

Independent Auditor's Report and Audited Financial Statements
Of
Grupo Sourcing Limited
As at and for the Year ended 31 March, 2019

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Independent Auditor's Report along with Audited Financial Statements

As at and for the year ended 31 March, 2019

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GRUPO SOURCING LIMITED

Opinion

We have audited the financial statements of Grupo Sourcing Limited, which comprise the Statement of Financial Position (Balance Sheet) as at 31 March, 2019, Statement Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of Grupo Sourcing Limited give a true and fair view of the financial position as at 31 March, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard (IFRS) and comply with other applicable laws and regulations.

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 Auditors' 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) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements and Internal Controls

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, 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.

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Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate 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 consolidated and separate 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.

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Report on other Legal and Regulatory Requirements

In accordance with the Companies Act 1994, we also report the following:

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 accounts as required by law have been kept by the Company so far as it appeared from our examination of these books;

c) The statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

Mak & Co.

Dated; Dhaka
May 28, 2019

Mak & Co.
Chartered Accountants

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Grupo Sourcing Limited
Statement of Financial Position (Balance Sheet)
As at March 31, 2019

Particulars	Notes	(Amount in Taka) 31.03.2019	31.03.2018
Property & Assets			
Non-current assets		**1,400,781**	**2,772,450**
Property, plant & equipment - net	4	1,400,781	2,772,450
Intangible asset	5	-	-
Current assets		**23,419,591**	**87,714,695**
Advance, deposit & prepayments	6	130,000	352,093
Accounts Receivable	7	13,877,090	84,602,230
Defearred tax	18	849,876	448,197
Cash and bank balance	8	8,562,626	2,312,175
Total assets:		**24,820,372**	**90,487,145**
Liabilities & Shareholders' Equity			
Current liabilities			
Credits for expenses	9	1,670,438	60,216,297
Credits for other Finance	10	1,669,812	1,225,160
Loan from holding company		3,561,021	7,850,000
Provision for expenses	11	166,452	147,796
Provision for Income Tax expenses	12	607,881	607,881
		7,675,604	**70,047,134**
Shareholders' Equity			
Share Capital	13	13,767,900	13,767,900
Share money deposit		9,873,533	9,873,533
Retained profit		(6,496,666)	(3,201,422)
		17,144,767	**20,440,011**
Total equity and liabilities:		**24,820,372**	**90,487,145**
		0	(0)

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.

Dated: Dhaka;
2019, May 28

Mak & Co.
Chartered Accountants

Grupo Sourcing Limited
Statement of Comprehensive Income (Income Statement)
For the year ended on 31 March, 2019

Particulars	Notes	(Amount in Taka) 2018-19	2017-18
Turnover	14	524,052,881	97,955,948
Less: Cost of goods sold	15	491,140,889	74,636,833
Gross profit:		**32,911,992**	**23,319,115**
Less: Operating expenses:			
Administrative expenses	16	31,934,113	20,395,117
Profit from operation:		**977,879**	**2,923,998**
Other income	17	92,724	22,219
Profit before Interest & Taxes:		**1,070,603**	**2,946,217**
Less: Financial expenses		-	-
Profit before Income Tax:		**1,070,603**	**2,946,217**
Less: Income tax expenses		4,767,525	1,035,184
Add: Deferred Tax Income	18	401,679	448,197
Net Profit:		**(3,295,244)**	**2,359,230**
Add: Other comprehensive income		-	-
Total comprehensive income		**(3,295,244)**	**2,359,230**

The annexed notes (1-18) form an integral part of these financial statements.

Managing Director

Signed as per our annexed report of even date.

Dated: Dhaka;
2019, May 28

Mak & Co.
Chartered Accountants

Grupo Sourcing Limited
Statement of Changes in Equity
For the year ended on 31 March, 2019

(Amount in Taka)

Particulars	Paid up Capital	Share Money Deposit	Retained Earnings	Total Equity
Balance b/f	13,767,900	9,873,533	(3,201,422)	20,440,011
Addition during the year		-		-
Profit (Loss) for the Period	-	-	(3,295,244)	(3,295,244)
Balance as at 31 March, 2019	13,767,900	9,873,533	(6,496,666)	17,144,767
Balance as at 31 March, 2018	13,767,900	9,873,533	(3,201,422)	20,440,011

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, 2019

Particulars	Notes	(Amount in Taka) 2018-19	2017-18
Cash flows from operating activities:			
Cash received form customer		594,778,021	23,764,793
Cash receive from bank interest		92,724	22,219
Cash paid to supplier and employee		(579,578,184)	(32,316,969)
Paid as Advance, Deposit and Prepayment		222,093	(222,093)
Income tax paid		(4,767,525)	(504,400)
Net cash used in operating activities (A):		**10,747,129**	**(9,256,450)**
Cash flows from investing activities:			
Purchase of fixed assets for the period		(207,700)	(433,367)
Purchase of intangible assets for the period		-	-
Net cash used in investing activities (B):		**(207,700)**	**(433,367)**
Cash flows from financing activities:			
Paid up capital		-	
Share Money Deposit		-	2,036,033
Loan from holding company		(4,288,979)	7,850,000
Net cash generated from financing activities (C):		**(4,288,979)**	**9,886,033**
Net increase (decrease) in cash and cash equivalents during the year (A+B+C):		**6,250,450**	**196,216**
Cash and cash equivalent at the beginning of the period		2,312,175	2,115,959
Cash and cash equivalent at the ending of the period*		**8,562,626**	**2,312,175**
***Cash and cash equivalent includes:**			
Cash in hand	8	736,573	150,757
Cash at bank	8	7,826,053	2,161,418
		8,562,626	**2,312,175**

-

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 on 31 March 2019

1.00 Background of the Company

Grupo Sourcing Limited is incorporated as private limited companies in Bangladesh having its registered office in Dhaka, Bangladesh. The company is a subsidiary of Grupo Sourcing Linited, Hong Kong. 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, 2019;
- Statement of comprehensive income (Income statement) for the year ended on 31 March, 2019
- Statement of changes in equity for the year ended on 31 March, 2019;
- Statement of cash flows for the year ended on 31 March, 2019; and
- Accounting policies and other explanatory notes for the year ended on 31 March, 2019.

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 Limited.

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, 2018 to 31 March 2019.

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	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.

3.00 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 2019
	Opening balance as at 01 April 2018	Addition during the year	Disposal during the year	Closing Balance as at 31 March 2019		Opening balance as at 01 April 2018	Charged during the year	Adjustment during the year	Closing Balance as at 31 March 2019	
Furniture & Fixtures	3,205,815	87,000	-	3,292,815	25%	1,436,473	815,954	-	2,252,427	1,040,388
Office equipment	998,520	-	-	998,520	33.33%	629,210	332,808	-	962,018	36,502
Computer	1,191,977	120,700	-	1,312,677	33.33%	558,179	430,608	-	988,787	323,890
As at March 31, 2019	**4,962,945**	**207,700**	**-**	**5,604,012**		**2,623,862**	**1,579,369**	**-**	**4,203,231**	**1,400,781**
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**

Notes	Particulars	Ref.	Amount (in Taka) 31.03.2019	31.03.2018
5	**Intangible assets**			
	Opening Balance		-	46,042
	Add: License fee for MS office		-	-
			-	46,042
	Less: Amortization		-	46,042
			-	**-**
6	**Advances, deposit & prepayments**			
	Security Deposit-Rent		130,000.00	130,000
	Advance Against Salary		-	222,093
	Advance to Employees		-	
	Advance to Others		-	
			130,000	**352,093**
7	**Accounts receivable**			
	Opening balance		84,602,230	10,411,075
	Add: Addition during the year		524,052,881	97,955,948
			608,655,110	**108,367,023**
	Less: Adjustment during the year		589,341,497	23,764,793
	Less: Provision for doubtful debt		5,436,524	-
			13,877,090	**84,602,230**
7.1	**Acconts Receivable break up**			
	Accounts receivable from other		10,834,972	81,560,112
	Accounts receivable from Group		3,042,118	3,042,118
			13,877,090	**84,602,230**
8	**Cash and cash equivalents**			
	Cash in hand		736,573	150,757
	Cash at bank		7,826,053	2,161,418
			8,562,626	**2,312,175**
9	**Creditor for expenses**			
	Trade payable		-	60,024,482
	Other payable		52,549.00	191,815
	Rent Payable		45,000.00	
	Salary Payable		1,555,414.00	
	VAT Payable-Rent		17,475.00	
			1,670,438	**60,216,297**
10	**Creditor for other finance**			
	Vat Input/ Output tax		1,514,171.97	850,665
	Withholding Tax		155,640.00	119,305
	Withholding VAT		-	255,190
			1,669,812	**1,225,160**

Notes	Particulars	Qty.	Per	Ref.	Amount (in Taka) 31.03.2019	31.03.2018
11	**Provision for Expenses**					
	Electricity bill				21,332	22,000
	Telephone bill				35,000	25,000
	Water bill				1,294	600
	Gas Bill				800	800
	Courier bill-International				28,630	20,000
	Security Charges				33,396	33,396
	Audit fee				46,000	46,000
					166,452	**147,796**
12	**Provision for income tax**					
	Opening balance				1,031,176	77,097
	Add: provision for the year					
	Provision for income tax as per law				4,767,525	1,031,176
	Less: Adjustment during the period				-	77,097
					5,798,701	**1,031,176**
	Less: Advance Income Tax					
	Opening balance				423,295	-
	Add: Addition during the year				4,767,525	423,295
					5,190,820	**423,295**
	Less: Adjustment during the year				-	-
					5,190,820	423,295
	Balance as on 31 March 2019				**607,881**	**607,881**
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 Koı	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) 31.03.2019	31.03.2018
14	**Turnover**			
	Sales from service export		3,759,569	19,656,879
	Sales - Garment		519,215,253	78,256,411
	Foreign exchange gain		1,021,476	42,658
	Misceleneous Income		56,583	-
			524,052,881	**97,955,948**
15	**Cost of goods sold**			
	Cost of Goods Sold-Garments		487,913,166	65,675,334
	Cost of service render	15.1	3,227,723	8,961,499
			491,140,889	**74,636,833**
15.1	**Cost of service render**			
	Salary & Bonus Exp-Staff		2,868,799	8,413,541
	Courier charges - local		6,730	57,069
	Courier charges - International		352,194	431,249
	Made sample expenses		-	59,640
			3,227,723	**8,961,499**
16	**Administrative Expenses**			
	Salary & Bonus Exp-Staff		17,358,401	8,591,228
	Air Freight Charges		-	108,272
	Medical/health insurance - employees		140,983	132,584
	Life insurance contributions-staff		66,492	46,871
	Leave Encashment		80,084	24,667
	Insurance General		9,860	2,806
	Immigration/visa expenses		159,737	126,190
	Club & membership fees		60,350	-
	Security charges		400,752	382,536
	Expatriate work permit/visa charges		20,400	5,000
	Staff welfare expenses		17,310	8,321
	Overtime expenses		32,899	32,647
	Legal & professional charges		399,525	645,750
	Auditors remuneration		57,500	81,500
	Service Expense		-	1,567
	Rent-office		903,000	780,000

Notes	Particulars	Ref.	Amount (in Taka) 31.03.2019	Amount (in Taka) 31.03.2018
	Rates & taxes (local)/regn fees		182,850	158,400
	Transport Exp -Others		608,452	1,435,930
	Car parking charges		26,400	26,000
	Repair & maintenance - Furniture & Office equipment		43,884	-
	Repair & maintenance - others		130,255	68,000
	Generator running & fuel		3,300	5,874
	Electricity bill		255,321	270,970
	Gas expenses		11,520	11,900
	Water charges		16,225	27,820
	Housekeeping & cleaning		142,185	116,783
	Office supplies		176,357	130,148
	Printing & stationery		31,290	106,617
	Telephone expenses		537,077	424,939
	Internet & Email Charges		162,188	109,648
	Travel-local		469,515	666,167
	Travel-overseas		4,897,560	3,599,052
	Entertainment Expense		121,123	724,555
	Bank charge		1,084,877	16,923
	Government fees		124,525	10,743
	Depreciation		1,579,369	1,468,666
	Amortization- software/ERP		-	46,042
	Misceleneous Expense		56,583	-
	Website Subscription		20,000	-
	Administration Fees		75,000	-
	Transport Fare Exp		1,463,662	-
	Vehicle Fuel		7,302	
			31,934,113	**20,395,117**
17	**Other income**			
	Interest		92,724	22,219
			92,724	**22,219**
18	**Deferred Tax**			
	Carrying amount of Property, Plant & Equip		1,400,781	2,772,450
	Tax base of Property, Plant & Equip		3,828,998	4,052,962
	Taxable temporary difference/ (Deductible temporary difference		(2,428,216)	(1,280,512)
	Applicable Tax Rate		35%	35%
	Deferred Tax liability / (Assets) at the end of the year		(849,876)	(448,197)
	Deferred tax liability/ (Assets) at the beginning of the year		(448,197)	-
	Deferred Tax Expenses / (Income)		**(401,679)**	**(448,197)**

Independent Auditor's Report and
Audited Financial Statements
Of
KLEIDER SOURCING LIMITED
As at and for the year ended 31 March 2019

Mak & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF KLEIDER SOURCING LIMITED

Opinion

We have audited the financial statements of **Kleider Sourcing Limited**, which comprise the Statement of Financial Position (Balance Sheet) as at 31 March, 2019, Statement Comprehensive Income, Statement of Cash Flows and Statement of Changes in Equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of Kleider Sourcing Limited give a true and fair view of the financial position as at 31 March, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standard (IFRS) and comply with other applicable laws and regulations.

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 Auditors' 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) together with the ethical requirements that are relevant to our audit of the financial statements in Bangladesh, 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements and Internal Controls

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether 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.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 consolidated and separate 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

In accordance with the Companies Act 1994, we also report the following:

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 accounts as required by law have been kept by the Company so far as it appeared from our examination of these books;

c) The statement of financial position and statement of profit or loss and other comprehensive income dealt with by the report are in agreement with the books of account.

Mak Co.

Dated; Dhaka
2019, May 13

Mak & Co.
Chartered Accountants

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SFAI

Mak & Co.
Chartered Accountants

Kleider Sourcing Ltd.

Statement of Financial Position (Balance Sheet)

As at March 31, 2019

Particulars	Notes	(Amount in Taka) 31.03.2019	31.03.2018
Property & Assets			
Non-current assets		**11,641,667**	**1,141,376**
Property, plant & equipment - net	4	11,641,667	1,141,376
Current assets		**95,199,046**	**97,401,030**
Advance, deposit & prepayments	5	83,889,222	84,283,453
Accounts receivable	7	5,447,152	11,896,785
Cash and cash equivalents	8	5,862,672	1,220,792
Total assets:		**106,840,713**	**98,542,406**
Liabilities & Shareholders' Equity			
Current liabilities		**7,745,870**	**7,428,884**
Liabilities for expenses & payable	9	7,745,870	7,428,884
Shareholders' Equity			
Share Capital	10	99,900,200	1,000,100
Share money deposit		2,513,492	81,160,150
Retained profit		(3,318,849)	8,953,272
		99,094,843	**91,113,522**
Total equity and liabilities:		**106,840,713**	**98,542,406**

The annexed notes (1-14) 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;
2019, May 13

Kleider Sourcing Ltd.

Statement of Comprehensive Income (Income Statement)
For the year ended on 31 March, 2019

Particulars	Notes	(Amount in Taka) 2018-19	2017-18
Turnover	11	48,649,713	41,158,684
Less: Cost of goods sold	12	4,296,454	2,687,111
Gross profit:		44,353,259	38,471,573
Less: Operating expenses:			
Administrative expenses	13	51,362,989	43,334,217
Profit from operation:		(7,009,730)	(4,862,644)
Other income	14	256,633	26,500
Profit before Interest & Taxes:		(6,753,097)	(4,836,144)
Less: Financial expenses		-	-
Profit before Income Tax:		(6,753,097)	(4,836,144)
Less: Income tax expenses	6	5,519,024	3,070,867
Net Profit:		(12,272,121)	(7,907,011)
Add: Other comprehensive income		-	-
Total comprehensive income		(12,272,121)	(7,907,011)

The annexed notes (1-14) form an integral part of these financial statements.

Managing Director

Director

Signed as per our annexed report of even date.

Mak & Co.

Dated: Dhaka;
2019, May 13

Mak & Co.
Chartered Accountants

Kleider Sourcing Ltd.

Statement of Changes in Equity
For the year ended on 31 March, 2019

(Amount in Taka)

Particulars	Paid up Capital	Share Money Deposit	Retained Earnings	Total Equity
Balance b/f	1,000,100	81,160,150	8,953,272	91,113,522
Addition during the year	98,900,100	20,253,442	-	119,153,542
Less: recogniged during the period		(98,900,100)		(98,900,100)
Profit (Loss) for the Period	-	-	(12,272,121)	(12,272,121)
Balance as at 31 March, 2019	**99,900,200**	**2,513,492**	**(3,318,849)**	**99,094,843**
Balance as at 31 March, 2018	**1,000,100**	**81,160,150**	**8,953,272**	**91,113,522**

The annexed notes (1-14) form an integral part of these financial statements.

Managing Director

Director

SFAI

Mak & Co.
Chartered Accountants

Kleider Sourcing Ltd.

Statement of Cash Flows

For the year ended on 31 March, 2019

Particulars	Notes	(Amount in Taka) 2018-19	2017-18
Cash flows from operating activities:			
Cash received form customer		55,099,346	31,596,468
Cash paid to supplier and employee & government		(57,524,434)	(127,289,894)
Net cash used in operating activities (A):		**(2,425,088)**	**(95,693,426)**
Cash flows from investing activities:			
Purchase of fixed assets for the period		(13,970,000)	-
Sales of fixed assets for the period		783,526	-
Net cash used in investing activities (B):		**(13,186,474)**	**-**
Cash flows from financing activities:			
Paid up capital		98,900,100	-
Share Money Deposit		(78,646,658)	53,695,250
Net cash generated from financing activities (C):		**20,253,442**	**53,695,250**
Net increase (decrease) in cash and cash equivalents during the year(A+B+C):		**4,641,881**	**(41,998,177)**
Cash and cash equivalent at the beginning of the period		1,220,792	43,218,970
Cash and cash equivalent at the ending of the period*		**5,862,672**	**1,220,793**
***Cash and cash equivalent includes:**			
Cash in hand	8	16,359	39,289
Cash at bank	8	5,846,313	1,181,503
		5,862,672	1,220,792

The annexed notes (1-14) form an integral part of these financial statements.

Managing Director

Director

KLEIDER SOURCING LIMITED

Notes to the Financial Statements

As at and for the year ended 31 march 2019

1.00 Background of the Company

Kleider Sourcing Limited incorporated as private limited companies in Bangladesh under Companies Act 1994 on 19 December 2012 vide Company Registration no. C-106248/12. It has obtained trade license from Dhaka City Corporation (East) with registered address of 81/2, Fokirapool, Motijheel, Dhaka.

1.01 Nature of Business

Kleider Sourcing Limited engaged in buying house related activities in textile/RMG sector.

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 IAS-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, 2019;
- Statement of comprehensive income (Income statement) for the period ended on 31 March, 2019
- Statement of changes in equity for the period ended on 31 March, 2019;
- Statement of cash flows for the period ended on 31 March, 2019; and
- Accounting policies and other explanatory notes for the period ended on 31 March, 2019.

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 Kleider Sourcing Limited.

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, 2018 to 31 March 2019.

2.09 Cash Flow Statement
Statement of cash flows is prepared in accordance with "IAS 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 'IAS-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%
Motor Vehicles	20%

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 IAS 18 "Revenue Recognition".

2.13 Provisions
As per "IAS 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 "IAS 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 2018	Addition during the year	Disposal during the year	Closing Balance as at 31 March 2019		Opening balance as at 01 April 2018	Charged during the year	Adjustment during the year	Closing Balance as at 31 March 2018	
Office Equipments	745,100	-	745,100	-	15%	558,825	55,883	-	614,708	-
IT Equipment	1,068,726	-	1,068,726	-	15%	780,572	80,154	-	860,726	-
Furniture & Fixture	1,239,408	-	1,239,408	-	10%	572,462	61,970	-	634,432	-
Motor Vehicles	-	13,970,000	-	13,970,000	20%	-	2,328,333	-	2,328,333	11,641,667
As at March 31, 2019	**3,053,234**	**13,970,000**	**3,053,234**	**13,970,000**		**1,911,858**	**2,526,341**	**-**	**2,109,866**	**11,641,667**
As at March 31, 2018	**3,053,234**	**530,000**	**530,000**	**3,053,234**		**1,515,844**	**422,515**	**26,500**	**1,911,858**	**1,141,376**

Notes	Particulars	Ref.	Amount (in Taka) 31.03.2019	31.03.2018
5	**Advances, deposit & prepayments**			
	Security Deposit		225,000	450,000
	DK Associates		52,000	207,000
	Navana Real Estate		83,153,016	83,153,016
	Rahimafroz		-	-
	Birds A & Z		3,465	3,465
	Bangladesh Express		14,262	-
	Klider Tower Association		150,000	-
	Advance to Iftekhar Ullah Khan		205,479	282,972
	Advance against Expenses		30,000	30,000
	Advance to employees		33,000	
	Advance Against Salary		23,000	157,000
			83,889,222	**84,283,453**

The advance paid to Navana Real Estate for the purpose of new office spade situated in House Building, Uttara. - Dhaka

6	**Advance Income tax**			
	Opening balance		3,070,867	4,885,231
	Add: Addition during the year		5,519,024	3,070,867
			8,589,891	7,956,098
	Less: Adjustment during the year		-	4,885,231
			8,589,891	**3,070,867**
	Less: Provision for income tax			
	Opening balance		3,070,867	-
	Add: Addition during the year as per law		5,519,024	3,070,867
			8,589,891	**3,070,867**
	Less: Adjustment during the year		-	-
			8,589,891	**3,070,867**
	Balance as on 31 March 2019		-	-
7	**Accounts Receivable**			
	Opening balance		11,896,785	2,334,569
	Add: Sales during the year		48,649,713	41,158,684
			60,546,498	43,493,253
	Less Adjustment during the year		55,099,346	31,596,468
			5,447,152	**11,896,785**
7.1	**Ageing analysis of accounts receivables (based on invoice date)**			
	Within 1 month		-	6,891,981
	Over 1 month and within 3 months		5,447,152	5,004,804
	Over 3 months and within 6 months		-	-
	Over 6 months and within 12 months		-	-
	Over 12 months		-	-
			5,447,152	**11,896,785**

Notes	Particulars			Ref.	Amount (in Taka)	
					31.03.2019	31.03.2018
8	**Cash and cash equivalents**					
	Cash in hand				16,359	39,289
	Cash at bank			8.1	5,846,313	1,181,503
					5,862,672	**1,220,792**
8.1	**Cash at bank**					
	A/C no.-0206100000020705 Dhaka bank Ltd., Banani Branch				5,846,313	1,181,503
					5,846,313	**1,181,503**
9	**Liabilities for expenses & Payable**					
	MM Enterprise				52,249	52,249
	Rising Knit Textile				1,014,650	1,014,650
	Jishan Enterprise				90,595	81,088
	Aegis Securities				250,066	187,295
	Goodluck Sanitary				137,390	144,940
	Salary Payable				2,504,644	2,232,818
	Vat Input/Output Tax				135,903	61,255
	Initial Upload				3,009,751	3,009,751
	Electricity payable				71,141	67,556
	Professional fee payable				11,500	31,500
	Audit Fees Payable				46,000	46,000
	TDS- Professional Services				41,825	20,268
	Vat Payable-Rent				43,953	148,500
	TDS-Rent				9,902	44,750
	TDS-Salary				153,989	193,952
	Progoti Life Insurance				21,000	21,000
	M/s. Min International Co.				136,160	56,160
	Modina Wash				15,152	15,152
					7,745,870	**7,428,884**
10	**Share Capital**					
	Authorized Capital:				**150,000,000**	**100,000,000**
	[1,500,000 shares of Tk. 100 each]					
	Paid-up Capital:					
	Name of Shareholder	Qty.	Per			
	Iftekhar Ullah Khan	1	100		100	100
	Md. Abu Toab Nayan	1	100		100	100
	Mohammad Morshed Alam	1	100		100	100
	Pallak Seth	1	100		100	100
	Kleider Sourcing Hongkong Ltd.	998,997	100		99,899,700	999,700
		999,001			**99,900,100**	**1,000,100**

Compay issued 1 sahre at per to Mr. Pallak Seth on 23 January 2018 but due to delay in recording by RJSC, reflection was not shown in 31 March 2018 ending Financial Statements, now restate the Paid up capital and sharemoney deposit figure with this amount. In addition to above Company also issued 989,000 new share infavour of Kleider Sourcing Hongkong Ltd. on 15 March 2019.

Notes	Particulars	Ref.	Amount (in Taka) 2018-19	2017-18
11	**Turnover**			
	Foreign Exchange Gain		1,012,673	1,133,720
	Misc. Income (Wastage Sales)		19,263	528,939
	Sales & Marketing Commission		47,617,777	39,496,025
			48,649,713	**41,158,684**
12	**Cost of goods sold**			
	Salary & Allowances		1,421,998	972,645
	Bonus-Staff		688,300	558,400
	Courier Charges Local		38,934	112,492
	Courier Charges International		667,922	603,960
	Sample Making Expenses		1,479,300	439,614
			4,296,454	**2,687,111**
13	**Administrative Expenses**			
	Salary & Allowances		29,842,204	25,088,680
	Bonus-Staff		1,786,981	1,677,283
	Medical /Health Insurance-Employees		371,586	315,358
	Life insurance contribution-Staff		141,265	170,900
	Website Subscription fee		-	25,000
	Gifts and testimonials		-	78,500
	Security Expenses		1,204,759	599,473
	Staff Welfare Expenses		132,143	754,560
	Overtime Expenses		92,987	77,708
	Bank Charge		23,385	23,565
	Office Rent		1,398,050	1,626,000
	Professional fees		34,500	259,750
	Audit Fees		46,000	46,000
	Rates & Taxes (Local)/Regn Fees		232,306	277,959
	Taxi & Car Hair Charge		2,032,149	1,495,000
	Vehicle Fuel		831,941	723,087
	Repair & Maintain Vehicle		307,731	113,320
	Repair & Maintain Others		225,638	273,136
	Repair & Maintain Furniture & Office		-	8,000
	Electricity Charges		974,264	720,381
	Water Charges		24,794	29,906
	House Keeping & Cleaning		11,501	4,461
	Office Supplies		2,041,994	2,209,162

Notes	Particulars	Ref.	Amount (in Taka)	
			2018-19	2017-18
	Telephone Expenses		130,917	92,660
	Mobile Phone Expenses		106,263	155,114
	Internet & Email Charges		160,500	143,750
	Travel Local		1,551,884	1,515,361
	Travel Overseas		2,159,303	3,725,596
	Coveyance		632,600	-
	Businesss Development		1,354,290	-
	Entertainment		141,561	112,409
	Communication Expenses		576,715	432,628
	Government Fee		146,398	136,997
	Insurance- Vehicle		120,039	-
	Depreciation		2,526,341	422,515
			51,362,989	**43,334,217**
14	**Other Income**			
	Gain on sale of tangible asset		256,633	26,500
			256,633	**26,500**

Razamtazz Limited

Financial statements

For the year ended 31 March 2019

Razamtazz Limited

Financial statements
for the year ended 31 March 2019

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Razamtazz Limited

Corporate data

Director:

	Appointed on	Resigned On
Deepak Kumar Seth	13 January 2014	
Payel Seth	13 January 2014	
Pallak Seth	13 January 2014	
Deven Coopoosamy	01 March 2018	07 August 2018
Sharmil Shah	01 March 2018	
Sheik Mohamad Ally Shameem Kureemun (as permanent alternate Deven Coopoosamy)	01 March 2018	07 August 2018
Navin Nagawa (as permanent alternate to Sharmil Shah)	01 March 2018	
Sheik Mohamad Ally Shameem Kureemun	07 August 2018	
Krishna Ramguttee (as permanent alternate to Sheik Mohamad Ally Shameem Kureemun)	07 August 2018	

Registered agent:
Rogers Capital Corporate Services Limited
3rd Floor, Rogers House
No. 5 President John Kennedy Street
Port Louis
Republic of Mauritius

Auditor:
Lancasters
Chartered Accountants
14, Lancaster Court
Lavoquer Street
Port Louis
Republic of Mauritius

Banker:
HSBC Bank (Mauritius) Limited
6th Floor, HSBC Centre
Ebène
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 31st March 2019.

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 (2018: 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: 27 May 2019

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 37 which comprise the statement of financial position as at 31 March 2019, 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 2019, 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.

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

Date: 27/05/2019

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

Razamtazz Limited

Statement of profit or loss and other comprehensive income
for the year ended 31 March 2019

	Note	2019 GBP	2018 GBP
Revenue	8	**221,000**	222,022
Expenses		**(334,810)**	(239,879)
Loss from operating activities		**(113,810)**	(17,857)
Net finance costs	9	**(174,272)**	(285,659)
Gain on sale of available-for-sale investments		-	53,639
Gain on sale of bonds		-	10,086
Loss before taxation		**(288,082)**	(239,791)
Taxation	10	-	-
Loss for the year		**(288,082)**	(239,791)
Other comprehensive income		-	2,803
Total comprehensive loss for the year		(288,082)	(236,988)

The notes on pages 10 to 37 form part of these financial statements

Razamtazz Limited

Statement of financial position
at 31 March 2019

	Note	2019 GBP	2018 GBP
Assets			
Non-currents assets			
Available-for-sale investments-	11	-	9,824
Financial asset at fair value through other comprehensive income	12	9,824	-
Investment property	13	4,707,272	4,824,297
Receivable	14	1,190	1,190
Total non-current assets		4,718,286	4,835,311
Current assets			
Other receivables	15	40,364	184,814
Cash and cash equivalents		44,711	138,085
Total current assets		85,075	322,899
Total assets		4,803,361	5,158,210
Equity			
Stated capital	16	1	1
Retained earnings		4,205,419	4,493,501
Total equity		4,205,420	4,493,502
Current liabilities			
Other payables	17	597,941	664,708
Total current liabilities		597,941	664,708
Total equity and liabilities		4,803,361	5,158,210

These financial statements have been approved by the Board of Directors on ...27 May 2019...
and signed on its behalf by:

Director

Director

The notes on pages 10 to 37 form part of these financial statements

Razamtazz Limited

Statement of changes in equity
for the year ended 31 March 2019

	Stated capital GBP	Retained earnings GBP	Fair value Reserve GBP	Total equity GBP
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
Total comprehensive loss for the year				
Loss for the year	-	(288,082)	-	(288,082)
Balance at 31 March 2019	**1**	**4,205,419**	-	**4,205,420**

The notes on pages 10 to 37 form part of these financial statements

Razamtazz Limited

Statement of cash flows
for the year ended 31 March 2019

	2019 GBP	2018 GBP
Cash flows from operating activities		
Loss for the year	**(288,082)**	(239,791)
Adjustments for:		
Depreciation	**123,156**	131,920
Gain on sale of available-for-investments	-	(53,639)
Gain on sale of bonds	-	(10,086)
Exchange difference	-	225,845
	(164,926)	54,249
Change in other receivables	**144,450**	64,141
Change in other payables	**(66,767)**	(454,054)
Net cash used in operating activities	**(87,243)**	(335,664)
Cash flows from investing activities		
Proceeds from sale of bonds	-	1,141,607
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	-	-
Acquisition of Investment property	**(6,131)**	-
Net cash used in investing activities	**(6,131)**	1,185,288
Cash flows from financing activities		
Repayment to related companies	-	(46,682)
Movement in short term loan	-	(795,393)
Net cash used in financing activities	-	(842,075)
Movement in cash and cash equivalents	**(93,374)**	7,549
Cash and cash equivalents at beginning of the year	**138,085**	130,536
Cash and cash equivalents at end of the year	**44,711**	138,085

The notes on pages 10 to 37 form part of these financial statements

Razamtazz Limited

Notes to the financial statements
for the year ended 31 March 2019

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.

The address of its registered office is c/o Roger Capital Corporate Services Limited, 3rd Floor, Rogers House, No. 5 President John Kennedy Street, Port Louis, Republic of Mauritius.

2. **Basis of preparation**

(a) Statement of compliance

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and comply with Companies Act 2001.

(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 2019 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.

Razamtazz Limited

Notes to the financial statements
for the year ended 31 March 2019

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)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company has applied amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 April 2018.

IFRS 9 Financial Instruments

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company has adopted this new standard on 1 April 2018 and will not restate comparative information. During the year, the Company has performed an assessment of all three aspects of IFRS 9.

3. **Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)**

Amendments to IFRSs that are mandatorily effective for the current year (Continued)

IFRS 9 Financial Instruments (Continued)

Overall, there has been no material impact on the Company's statement of financial position as the Company does not have any significant financial assets which could be impacted by the implementation of the standard.

The effect of initially applying IFRS 9 is described in note 4.

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.

Overall, there has been no material impact for the Company.

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. Information about the Company's accounting policies relating to contracts with customers are provided in Note 4. The effect of initially applying IFRS 15 is described in Note 4.

New and revised IFRSs in issue but not yet effective

At the date of authorisation of the financial statements of Razamtazz Limited for the year ended 31 March 2019, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective and which have not been adopted in these financial statements.

These standards, where applicable to the Company, will be applied in the year when they are effective.

Razamtazz Limited

Notes to the financial statements
for the year ended 31 March 2019

3. **Application of new and revised International Financial Reporting Standards (IFRSs) (Continued)**

New and revised IFRSs in issue but not yet effective (Continued)

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements.

Effective for the financial year commencing 1 January 2019

- Annual Improvements to IFRS Standards 2015/2017 Cycle various standards

As part of its process to make non-urgent but necessary amendments to IFRS, the IASB has issued the Annual Improvements to IFRS Standards 2015–2017 Cycle.

Effective for the financial year commencing 1 January 2020

- Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB refined its definition of material to make it easier to understand. It is now aligned across IFRS Standards and the Conceptual Framework.

The changes in Definition of Material (Amendments to IAS 1 and IAS 8) all relate to a revised definition of 'material' which is quoted below from the final amendments.

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments are effective from 1 January 2020 but may be applied earlier. However, the Board does not expect significant change – the refinements are not intended to alter the concept of materiality.

The adoption of the above amendments is not expected to have a significant impact on the Company's financial statements.

4. **Changes in significant accounting policies**

The Company has initially applied IFRS 15 and IFRS 9 from 1 April 2018. A number of other new standards are also effective from 1 April 2018 but they do not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

This note explains the impact of the adoption of IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' on the Company's financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

As a result of the changes in the Company's accounting policies, prior year financial statements did not have to be restated as there were no material reclassifications or adjustments arising from the new impairment rules.

IFRS 15

IFRS 15 applies to all contracts with customers. It establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time– requires judgement.

Application to the Company:

The Company has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018).

Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The adoption of IFRS 15 does not have a material impact on the Company's revenue stream:

- Rental fee income

IFRS 15 did not impact the timing or amount of rental fee income from contracts with customers and the related assets and liabilities recognised by the Company. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

4. Changes in significant accounting policies (continued)

IFRS 15 (continued)

The adoption of IFRS 15 has no effect on

- the retained earnings at 1 April 2018 and 2017,
- the statement of financial position as at 31 March 2019 or 2018,
- the statement of profit or loss and other comprehensive income for the year ended 31 March 2019 or 2018, or
- the statement of cash flows for the year ended 31 March 2019 or 2018.

IFRS 9

a) Impact on classification and measurement

IFRS 9 was adopted by the Company in the current year. The impact of this adoption is set out below.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated under the fair value option were recognised in profit or loss, under IFRS 9 fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and

- the remaining amount of change in the fair value is presented in profit or loss.

Application to the Company:

Financial asset at fair value through other comprehensive income

The Company's investment in Down Street Freehold Company Ltd was previously classified under available-for-sale financial assets category under IAS 39. This financial asset represents investment that the company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the company has designated this investment at the date if initial application as measured at fair value through other comprehensive income. Unlike IAS 39, the accumulated fair value reserve related to this investment will never be reclassified to profit and loss.

Razamtazz Limited

Notes to the financial statements
for the year ended 31 March 2019

4. Changes in significant accounting policies (continued)

IFRS 9 (continued)

Receivable, other receivables and cash and cash equivalents

Receivable, other receivables and cash and cash equivalents were previously measured at amortised cost under IAS 39. Under IFRS 9 assets can be classified under amortised cost under the following conditions;

- The assets must be held in a business model whose objective is to collect the contractual cash flows i.e. "held to collect"; and
- the contractual cash flows must represent repayment of the principal and interest on the principal amount outstanding

These assets by their nature meet the above conditions and will therefore continue to be held at amortised cost under IFRS 9.

Other payables

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

Under IAS 39, other payables are measured at amortised cost. This does not change with the application of IFRS 9.

Classification and measurement of financial assets and financial liabilities

The following table and accompanying notes above explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 April 2018.

	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
			USD	**USD**
Financial assets				
Financial assets at fair value through other comprehensive income	Designated at fair value through other comprehensive income	Fair value through other comprehensive income	9,824	9,824
Receivable	Loans and receivables	Amortised cost	1,190	1,190
Other receivables	Loans and receivables	Amortised cost	184,739	184,739
Cash and cash equivalents	Loans and receivables	Amortised cost	138,085	138,085
Total financial assets			333,838	333,838

Razamtazz Limited

Notes to the financial statements
for the year ended 31 March 2019

4. Changes in significant accounting policies (continued)

IFRS 9 (continued)

Classification and measurement of financial assets and financial liabilities (continued)

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
			USD	USD
Financial liabilities				
Other payables	Other financial liabilities	Amortised cost	664,708	664,708
Total financial liabilities			**664,708**	**664,708**

(b) IFRS 9 impact on impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income, but not to investments in equity instruments.

Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has determined that the application of IFRS 9's impairment requirements at 1 April 2018 results in the following:

From 1 April 2018, the Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with the receivables and other receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The ECL assessment of financial assets is disclosed in Note 7.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial. Financial assets held at FVOCI are not subject to IFRS 9 impairment requirements.

Receivable and other receivables
The Company applies the simplified approach to measuring expected credit losses, as permitted by IFRS 9, which uses a 12-month expected loss allowance for all receivables. The expected credit loss on receivable and other receivables is not material and therefore no impairment adjustments were accounted for.

5. Critical accounting estimates and judgements

The Company makes estimates and judgements that affect the reported amounts of assets and liabilities within the next year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Determination of functional currency

The determination of the functional currency of the Company is critical since recording of transactions and exchange differences arising therefrom are dependent on the functional currency selected. The directors have considered those factors and have determined that the functional currency of the Company is the British Pound Sterling (GBP).

Going concern

Management have made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

6. Significant accounting policies

(a) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements are measured using British Pound sterling ("GBP"), the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in GBP, 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 on 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.

(b) Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVOCI, transaction costs that are directly attributable to its acquisition or issue.

6. Significant accounting policies (Continued)

(b) Financial instruments (Continued)

Classification and subsequent measurement

Financial assets - Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at amortised cost or FVOCI.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets - Policy applicable from 1 January 2018

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets of the Company are measured at FVOCI.

Financial assets - Business model assessment: Policy applicable from 1 January 2018

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintain a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed;
- how managers of the business are compensated – e.g whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Razamtazz Limited

Notes to the financial statements
for the year ended 31 March 2019

6. Significant accounting policies (Continued)

(b) Financial instruments (Continued)

Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2018

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets - Subsequent measurement and gains and losses: Policy applicable from 1 January 2018

Financial assets at FVOCI

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial assets – Policy applicable before 1 January 2018

The Company classifies non-derivative financial assets into the following categories:

Financial assets at fair value through profit or loss and loans and receivables.

The Company classifies non-derivative financial liabilities into other financial liabilities category.

6. Significant accounting policies (Continued)

(b) Financial instruments (Continued)

Non-derivative financial assets and financial liabilities - Recognition and derecognition

The Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

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 currently has a legally enforceable 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.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for-trading or is designated as such on initial recognition

Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

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. Loans and receivables comprise of accounts receivable and cash and cash equivalents.

Cash and cash equivalents

Cash and cash equivalents comprise of bank balances. 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.

6. Significant accounting policies (Continued)

(b) **Financial instruments**

Non-derivative financial liabilities – Measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Other non-derivative financial liabilities are initially measured 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 liabilities comprise of other payables which are stated at amortised cost.

Non-derivative financial assets

Policy applicable from 1 January 2018

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised cost;

The Company measures loss allowances at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

6. Significant accounting policies (Continued)

(c) Impairment (Continued)

Non-derivative financial assets (Continued)

Policy applicable from 1 January 2018 (Continued)

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

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

Non-derivative financial assets

Policy applicable from 1 January 2018

Measurement of ECLs

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

ECLs are discounted at the effective interest rate of the financial asset.

Policy applicable before 1 January 2018

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, including an interest in an equity-accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:
- default or delinquency by a debtor;
- restructuring of an amount due to the Company on terms that the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers;
- the disappearance of an active market for a security because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost.

6. Significant accounting policies (Continued)

(c) Impairment (Continued)

Non-derivative financial assets (Continued)

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

(d) 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.

(e) 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.

Razamtazz Limited

Notes to the financial statements
for the year ended 31 March 2019

6. Significant accounting policies (Continued)

(f) Provisions

A provision is recognised 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 benefits will be required to settle the obligation.

Provisions are recognised 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.

(g) Stated Capital

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.

(h) Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a service to a customer.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from rendering of services was recognised by the Company in accordance with the substance of the relevant agreements.

Revenue from rental fee income recognised in the profit or loss arises from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

(i) Finance income and costs

The Company's finance income and costs include:

- Interest paid on loan
- Foreign exchange differences

Interest income and expense are recognised using the effective interest method.

(j) Expense recognition

Expenses are accounted for on an accruals basis.

(k) 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.

7. Financial instruments – Fair values and risk management

(a) Accounting classifications and fair values

31 March 2019	Financial assets at amortised Cost	Financial assets at FVOCI	Financial liabilities at amortised Cost	Total	Level 1	Level 2	Level 3	Total
	GBP	GBP	GBP	GBP	GBP	GBP	GBP	GBP
Financial assets not measured at fair value								
Financial asset at fair value through Other comprehensive income	-	9,824	-	-	-	-	-	-
Financial assets not measured at fair value								
Other receivables	36,834	-	-	36,834	-	-	-	-
Receivable	1,190	-	-	1,190	-	-	-	-
Cash and cash equivalents	44,711	-	-	44,711	-	-	-	-
	82,735	9,824	-	92,559	-	-	-	-
Financial liabilities not measured at fair value								
Other payables	-	-	597,941	597,941	-	-	-	-
	-	-	597,941	597,941	-	-	-	-

7. Financial instruments – Fair values and risk management

(a) Accounting classifications and fair values (continued)

31 March 2018	Available-for-sale GBP	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	-	-	-	-
Financial assets not measured at fair value								
Other receivables	-	184,738	-	184,738	-	-	-	-
Receivable	-	1,190	-	1,190	-	-	-	-
Cash and cash equivalents	-	138,085	-	138,085	-	-	-	-
	-	324,013	-	324,013	-	-	-	-
Financial liabilities not measured at fair value								
Other payables	-	-	664,708	664,708	-	-	-	-
	-	-	664,708	664,708	-	-	-	-

Razamtazz Limited

Notes to the financial statements
for the year ended 31 March 2019

7. 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 financial assets at FVOCI, 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.

7. 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 2019 GBP	**Financial liabilities 2019 GBP**	Financial Assets 2018 GBP	Financial liabilities 2018 GBP
GBP	**92,559**	**20,662**	333,837	22,649
USD	**-**	**577,278**	-	642,059
	92,559	**597,941**	333,837	664,708

Sensitivity analysis – Currency risk

At 31 March, 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 2019**	**Effect on profit after tax and equity 2019 USD**	Increase/(decrease) in foreign exchange rates 2018	Effect on profit after tax and equity 2018 USD
USD	**+5%**	**28,864**	+5%	32,103
USD	**-5%**	**(28,864)**	-5%	(32,103)

- *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.

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

(b) Financial risk management (continued)

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:

	2019 GBP	2018 GBP
Available-for-sale investments	-	9,824
Financial asset at fair value through other comprehensive income	**9,824**	-
Receivable	**1,190**	1,190
Other receivables	**36,834**	184,738
Cash and cash equivalents	**44,711**	138,085
	92,559	333,837

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 2019	**Within one year GBP**	**One to five years GBP**	**Total GBP**
Financial liabilities			
Other payables	**597,941**	-	**597,941**
Total financial liabilities	**597,941**	-	**597,941**

Razamtazz Limited

Notes to the financial statements
for the year ended 31 March 2019

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

(b) Financial risk management (continued)

Liquidity risk (Continued)

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

8. Revenue

	2019 GBP	2018 GBP
Rental fee income	**221,000**	221,000
Dividend income	-	1,022
	221,000	222,022

9. Net finance costs

	2019 GBP	2018 GBP
Finance income		
Interest income	-	2
Foreign exchange gain	**32,932**	51,600
	32,932	51,602
Finance costs		
Interest expense	**(134,998)**	(200,147)
Foreign exchange loss	**(72,206)**	(137,114)
	(207,204)	(337,261)
Net finance costs	**(174,272)**	(285,659)

Notes to the financial statements
for the year ended 31 March 2019

10. Taxation

The Company holds a Category 2 Global Business Licence and is exempt from Income Tax under the Mauritian laws.

11. Available-for-sale investments

Investment consists of quoted and unquoted shares.

	Quoted investments		*Unquoted investment*		*Total*	
	2019 GBP	2018 GBP	**2019 GBP**	2018 GBP	**2019 GBP**	2018 GBP
Cost						
At 01 April	-	297,631	**9,824**	9,824	**9,824**	307,455
Addition	-	-		-	-	-
Disposal	-	(297,631)	-	-	-	(297,631)
Reclassified to financial assets at fair value through other comprehensive income during the year	-	-	**(9,824)**	-	**(9,824)**	-
Balance at 31 March	-	-	-	9,824	-	9,824
Unrealised appreciation/ (depreciation)						
At 01 April	-	(2,803)	-	-	-	(2,803)
Movement during the year	-	2,803	-	-	-	2,803
Balance at 31 March	-	-	-	-	-	-
Fair value at 31 March	-	-	-	-	-	-

12. Financial asset at fair value through other comprehensive income

	2019 GBP	2018 GBP
Cost:		
At 01 April	-	-
Transfer from available-for-sale investments during the year	9,824	-
Additions / Disposals	-	-
At 31 March	9,824	-
Unrealised appreciation		
At 01 April	-	-
Net movement in unrealised gain	-	-
At 31 March	-	-
Fair value at 31 March	9,824	-

The Company holds 9,824 ordinary shares in Down Street Freehold Company Ltd (unquoted investment).

Management has made an assessment and concluded that the investment should be fair valued to Nil at year end. However, the impairment loss has not been recognized in these financial statements since it is deemed to be immaterial.

Razamtazz Limited

Notes to the financial statements
for the year ended 31 March 2019

13. Investment property

	Building GBP	Furniture and fittings GBP	Total GBP
Cost			
At 01 April 2018	5,858,911	654,544	6,513,455
Addition during the year	-	6,131	6,131
At 31 March 2019	**5,858,911**	**660,675**	**6,519,586**
Depreciation			
At 01 April 2018	1,053,365	635,793	1,689,158
Charge for the year	117,499	5,657	123,156
At 31 March 2019	**1,170,864**	**641,450**	**1,812,314**
Net book value			
Balance at 31 March 2019	**4,588,047**	**19,225**	**4,607,272**
Balance at 31 March 2018	4,805,546	18,751	4,824,297

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.

14. Receivable

	2019 GBP	2018 GBP
Receivable from related party	**1,190**	1,190

Receivable from related party is unsecured, interest free and repayable on demand.

Razamtazz Limited

Notes to the financial statements
for the year ended 31 March 2019

15. Other receivables

	2019 GBP	2018 GBP
Receivable	-	166,322
Rent receivable	**36,834**	18,417
Prepaid expenses	**3,530**	75
	40,364	184,814

16. Stated capital

	2019 GBP	2018 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

17. Other payables

	2019 GBP	2018 GBP
Payable to related companies	**577,278**	644,316
Deposit on rent	**17,000**	17,000
Other payables	**3,663**	3,392
	597,941	664,708

Payable to related companies are interest free and repayable on demand.

Razamtazz Limited

Notes to the financial statements
for the year ended 31 March 2019

18. 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.

		2019	2018
		GBP	GBP
Transactions during the year	*Nature*		
Deepak Seth	Rent receivable	**221,000**	221,000
Deepak Seth	Rent received	**(184,166)**	(202,583)
Norwest Industries Limited	Loan paid	**273,533**	264,057
Norwest Industries Limited	Balance receivable	**-**	166,322
Multinational Textile Group Limited	Advance repaid	**(174,107)**	127,458
Rogers Capital Corporate Services Limited	Professional fees payable	**9,150**	8,666
Rogers Capital Corporate Services Limited	Professional fees paid	**(9,150)**	(8,666)

Balances outstanding at 31 March:			
Deepak Seth	Rent receivable	**36,834**	18,417
Deepak Seth	Deposit on rent payable	**(17,000)**	(17,000)
Norwest Industries Limited	Balance receivable/ (payable)	**(107,069)**	166,322
Multinational Textile Group Limited	Balance payable	**(467,952)**	(642,059)
Frou Holdings Limited	Balance payable	**(2,257)**	(2,257)
Receivable	Balance receivable	**1,190**	1,190

Compensation to key management personnel

The Company did not pay any compensation to its key management personnel during the year under review (2018: nil).

Notes to the financial statements
for the year ended 31 March 2019

19. 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.

20. Contingencies

As part of the Second charge mentioned in note 13, 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.

21. 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.

22. 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 2019

	2019 GBP	2018 GBP
Revenue		
Rental income	**221,000**	221,000
Dividend income	-	1,022
	221,000	222,022
Expenses		
Depreciation	**123,156**	131,919
Management fees	**130,760**	-
Tax fees (HMRC)	**56,550**	55,273
Service charges	**13,863**	11,853
Accounting and audit fees	**5,832**	6,056
Administration fee	**3,040**	3,392
Bank charges	**1,066**	1,373
Professional fees	**323**	-
License fees	**220**	200
Custody fees		1,273
Brokerage fees	-	2,466
Telephone, fax and courier charges	-	33
Premium on bonds	-	26,041
	334,810	239,879
Loss from operating activities	**(113,810)**	(17,857)
Net finance costs	**(174,272)**	(285,659)
Gain on sale of available-for-sale investments	-	53,639
Gain on disposal of bonds	-	10,086
Loss before taxation	**(288,082)**	(239,791)

SOURCING SOLUTIONS LIMITED

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2019

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 audited financial statements of the Company for the year ended March 31, 2019.

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 other comprehensive income on page 7.

The directors do not recommend the payment any dividend for the year.

SHARE CAPITAL

Details of share capital of the Company are set out in Note (17) to the financial statements.

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 (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.

SOURCING SOLUTIONS LIMITED

REPORT OF THE DIRECTORS (CONT'D)

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

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 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 28, 2019.

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
SOURCING SOLUTIONS LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Sourcing Solutions Limited ("the Company") set out on pages 7 to 38, which comprise the statement of financial position as at March 31, 2019, 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, 2019, 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.

Key Audit Matter

We have determined that there are no key audit matters to communicate in our report.

Fundamental Uncertainty Relating to the Going Concern Basis

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2c) 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 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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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
SOURCING SOLUTIONS LIMITED
(incorporated in Hong Kong with limited liability)

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.

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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)

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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瑞信集團大廈九樓

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, May 28, 2019.

SOURCING SOLUTIONS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
REVENUE	(5)	108,874,400	47,981,592
COST OF SALES		(95,083,705)	(44,655,899)
GROSS PROFIT		13,790,695	3,325,693
OTHER INCOME AND GAIN	(5)	942,733	5,241,712
DEPRECIATION EXPENSES		(10,269)	-
STAFF COSTS		(4,241,760)	(318,781)
OTHER OPERATING EXPENSES		(5,704,004)	(11,055,834)
PROFIT/(LOSS) FROM OPERATION		4,777,395	(2,807,210)
FINANCE COSTS	(6)	(447,757)	(33,566)
PROFIT/(LOSS) BEFORE TAXATION	(7)	4,329,638	(2,840,776)
TAXATION	(9)	-	-
PROFIT/(LOSS) FOR THE YEAR		4,329,638	(2,840,776)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		4,329,638	(2,840,776)

THE NOTES ON PAGES 11 TO 38 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

SOURCING SOLUTIONS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2019

	NOTES	2019	2018
		HK$	HK$
Non-Current Assets			
Plant and equipment	(10)	30,809	-
Interest in a subsidiary	(11)	3,713,790	-
		3,744,599	-
Current Assets			
Amount due from a shareholder	(12)	38,900	38,900
Amounts due from fellow subsidiaries	(12)	5,394,908	3,448,443
Trade and other receivables	(13)	25,339,897	16,847,272
Cash and cash equivalents		2,452,659	484,282
		33,226,364	20,818,897
Current Liabilities			
Amounts due to fellow subsidiaries	(14)	23,018,576	29,368,322
Trade and other payables	(15)	12,845,883	2,628,670
Secured bank borrowings	(16)	11,073,223	3,118,262
		46,937,682	35,115,254
NET CURRENT LIABILITIES		(13,711,318)	(14,296,357)
NET LIABILITIES		(9,966,719)	(14,296,357)
DEFICIT			
Share capital	(17)	77,800	77,800
Accumulated losses		(10,044,519)	(14,374,157)
TOTAL DEFICIT		(9,966,719)	(14,296,357)

APPROVED BY THE BOARD OF DIRECTORS ON MAY 28, 2019 AND SIGNED ON BEHALF OF THE BOARD BY:

Deepak Kumar SETH
Director

Pallak SETH
Director

THE NOTES ON PAGES 11 TO 38 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

SOURCING SOLUTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2019

	Share Capital	Accumulated losses	Total
	HK$	HK$	HK$
At 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 and April 1, 2018	77,800	(14,374,157)	(14,296,357)
Profit for the year and total comprehensive income for the year	-	4,329,638	4,329,638
At March 31, 2019	77,800	(10,044,519)	(9,966,719)

THE NOTES ON PAGES 11 TO 38 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

SOURCING SOLUTIONS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2019

	2019	2018
	HK$	HK$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	4,329,638	(2,840,776)
Adjustments for:		
Depreciation	10,269	-
Bank interest income	(2,170)	(3)
Bank overdraft interest	447,757	33,566
OPERATING PROFIT/(LOSS) BEFORE WORKING CAPITAL CHANGES	4,785,494	(2,807,213)
Increase in amounts due from fellow subsidiaries	(1,946,465)	(1,280,422)
Increase in amount due from a subsidary	(3,153,630)	-
Increase in trade and other a receivables	(8,492,625)	(13,195,294)
Increase in amounts due to fellow subsidiaries	(6,349,746)	13,991,938
Increase/(Decrease) in trade and other payables	10,217,213	(620,426)
CASH USED IN OPERATIONS	(4,939,759)	(3,911,417)
Bank interest received	2,170	3
Bank overdraft interest paid	(447,757)	(33,566)
Net cash used in operating activities	(5,385,346)	(3,944,980)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(41,078)	-
Acquisition of a subsidiary	(560,160)	-
Net cash used in investing activities	(601,238)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from secured bank borrowings and net cash generated from financing activities	7,954,961	3,118,262
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,968,377	(826,718)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	484,282	1,311,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,452,659	484,282

THE NOTES ON PAGES 11 TO 38 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. The directors consider that the ultimate holding company and immediate holding company are PDS Multinational Fashions Limited and Multinational Textile Group Limited respectively. 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. Statement of Compliance and Basis of Preparation

For the purposes of compliance with sections 379 and 380 of the Hong Kong Companies Ordinance (Cap. 622), 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, a term which collectively includes 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 (Cap. 622) 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 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 (Cap. 622), 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 is concerned. As a consequence, the financial statements do not give all the information required by HKFRS 10 about the economic activities of the group of which the company is the parent. Furthermore, as these financial statements are prepared in respect of the company only, HKFRS 12, Disclosures 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$"), 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 (4) to the financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Company, out of which, the following developments are relevant to the Company's financial statements:

(i) HKFRS 9, Financial instruments
(ii) HKFRS 15, Revenue from contracts with customers

None of these developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented.

(i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The Company has applied HKFRS 9 retrospectively to items that existed at April 1, 2018 in accordance with the transition requirements and there is no material effect of Company's financial results and financial position.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

A. Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-tomaturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For an explanation of how the Company classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes (2f) and (2g).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at April 1, 2018 have not been impacted by the initial application of HKFRS 9.

The Company did not designate or de-designate any financial asset at FVOCI or FVPL or financial liability at FVPL at April 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

   b. Changes in Accounting Policies and Disclosures (Cont'd)

      (i) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)

         B. Transition

            Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:
            - Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at April 1, 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
            - The following assessments have been made on the basis of the facts and circumstances that existed at April 1, 2018 (the date of initial application of HKFRS 9 by the company):
              - the determination of the business model within which a financial asset is held; and
              - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
            - If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

      (ii) HKFRS 15, Revenue from contracts with customers

         HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

         HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

         The Company has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at April 1, 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Company has applied the new requirements only to contracts that were not completed before April 1, 2018.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

A. Timing of revenue recognition

Previously, revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Company recognises revenue from sales of goods.

B. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Previously, the Company only applied such a policy when payments were significantly deferred, which was not common in the Company's arrangements with its customers. The Company did not apply such a policy when payments were received in advance.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Changes in Accounting Policies and Disclosures (Cont'd)

(ii) HKFRS 15, Revenue from contracts with customers (Cont'd)

C. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the company has an unconditional right to consideration. If the company recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset.

Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Company recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The adoption of HKFRS15 does not have a significant impact on the presentation of Company's contract assets and liabilities.

c. Going Concern

The immediate holding company has 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

d. Plant and Equipment

An item of plant and equipment is stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of 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 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 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 a straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life, as follows:

Other equipment	4 years

An item of plant and equipment and 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 arising on derecognition 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 or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

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 result of subsidiary is accounted by the Company on the basis of dividend received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Impairment of Non-Financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current 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 other than goodwill 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, (only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Assets

The Company's financial assets are only classified under *Financial assets carried at amortised cost* category, including trade and other receivables, amount due from a shareholder and fellow subsidiaries and cash and cash equivalents.

Financial assets carried at amortised cost

(i) Initial recognition and measurement

All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

(ii) Subsequent measurement

At the end of each reporting period subsequent to initial recognition, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method, less 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 amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

(iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised 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 risks and rewards of ownership of the asset. When it has neither transferred nor retained substantially all of 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. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Financial Assets (Cont'd)

Financial assets carried at amortised cost (Cont'd)

(iv) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a Company 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 the debtors 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.

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 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 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 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 and all collateral has been realised or has been transferred to the Company. 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 write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Financial liabilities

Financial liabilities carried at amortised cost

The Company's financial liabilities are classified under *Financial liabilities carried at amortised cost*, including trade and other payables, and amounts due to fellow subsidiaries.

(i) Initial recognition and measurement

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

(ii) Subsequent measurement

After initial recognition, financial liabilities carried at amortised cost are subsequently measured at amortised cost using the effective interest rate method. 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 as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

(iii) 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.

j. 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, to realise the assets and settle the liabilities simultaneously.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

k. Contract Assets and Contract Liabilities

A contract asset is recognised when the Company recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration has become unconditional.

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

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

l. Trade and Other Receivables

A receivable is recognised when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Receivables are stated at amortised cost using the effective interest method less impairment losses.

m. Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

n. Trade and Other Payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

o. 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 other comprehensive income.

p. 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 asset is (or those assets are) not explicitly specified in an arrangement.

Company as a lessee
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.

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 or loss.

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.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

q. 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 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 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. No deferred tax asset has been recognised on the unused tax losses due to the infeasibility to predict the availability of future taxable profit for offsetting such deductible timing differences.

Deferred tax, if material, is charged or credited in the statement of profit or loss and other comprehensive income.

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 profit or loss.

No provision on employees' entitlements to unconsumed annual leaves as of the end of reporting period is provided in the financial statement 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.

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

s. Revenue Recognition

Income is classified by the company as revenue when it arises from the sale of goods in the ordinary course of the Company's business.

Revenue is recognised when control over a product is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amount collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Company, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Company takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Company's revenue and other income recognition policies are as follows:

- Revenue from sales of goods is recognised when the customers take possession of and accept the products.
- Interest income from bank deposits is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Sundry income is recognised on a receipts basis.

t. Borrowing Costs

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.

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 Company's policy for borrowing cost as stated in the preceding note.

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).
(viii) The entity, or any member of a Company of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. 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. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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 the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected 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 consolidated 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.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

5. REVENUE, OTHER INCOME AND GAIN

	2019	2018
Revenue, other income and gain recognised during the year are as follows:	HK$	HK$
Revenue:		
Sales of goods	108,874,400	47,981,592
Other income and gain:		
Bank interest income	2,170	3
Commission income	515,401	4,112,316
Exchange gain, net	425,162	1,129,393
	942,733	5,241,712
Total revenue recognised	109,817,133	53,223,304

6. FINANCE COSTS

	2019	2018
Bank overdraft interest	447,757	33,566

7. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is stated after charging/(crediting):

	2019	2018
Auditors' remuneration	45,856	20,475
Depreciation	10,269	-
Exchange gain, net	(425,162)	(1,129,393)
Staff costs (including director's remuneration)		
- Salaries and allowances	4,182,473	318,591
- Other staff costs	59,287	-

SOURCING SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

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 follows:

	2019	2018
	HK$	HK$
Emoluments:		
Acting as directors	-	-
Provision of management services	336,096	-
Retirement benefits	-	-
	336,096	-

9. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the assessable profits of the Company have been wholly offset by taxation loss sustained in previous years.

At the end of reporting period, the Company has unused tax losses of HK$10,032,218 (2018: HK$14,342,023) available for offset against future profits. No deferred tax has been recognised in the financial statements on the grounds that the Company has no taxable/deductible temporary differences for the current and last years. Tax losses may be carried forward indefinitely.

The amount of taxation charged to the statement of profit or loss and other comprehensive income as follows:

	2019	2018
	HK$	HK$
Profit/(Loss) before taxation	4,329,638	(2,840,776)
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	714,390	(468,728)
Tax effect of income that are not taxable	(358)	
Net tax allowance claimed	(2,914)	-
Tax loss not yet recognised	-	468,728
Tax effect of tax loss utilized	(711,118)	-
Tax charge for the year	-	-

10. PLANT AND EQUIPMENT

	Other equipment
Cost	HK$
At 1/4/2018	-
Additions	41,078
At 31/3/2019	41,078
Accumulated Depreciation	
At 1/4/2018	-
Charge for the year	10,269
At 31/3/2019	10,269
Net Carrying Amount	
At 31/3/2019	30,809
At 31/3/2018	-

11. INTEREST IN A SUBSIDIARY

	2019	2018
	HK$	HK$
Unlisted investment, at cost	560,160	-
Amount due from a subsidiary (Note)	3,153,630	-
	3,713,790	-

Note: The amount due is unsecured, interest free and has no fixed terms of repayments.

Details of subsidiary are as follows:

Name of subsidiary	Place of incorporation	Parentage of ownership and voting power	Nature of business
Sourcing Solution Europe BVBA	Belgium	100%	Manufacturing and trading of garments

12. AMOUNTS DUE FROM A DIRECTOR/FELLOW SUBSIDIARIES

Amounts due from a director/fellow subsidiaries disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordnance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622) are as follows:

	Outstanding principal		
Name of borrower	At beginning of year	At end of year	Maximum outstanding
	HK$	HK$	HK$
Imran Peter RATH	38,900	38,900	38,900
Poticgem Limited (2)	111,835	-	111,835
Spring Near East Manufacturing Company Limited (2)	1,638,001	107,364	1,638,001
Design Arc Europe Limited (2)	-	43,275	43,275
Design Arc Asia Limited (2)	165,026	-	165,026
Poeticgem Australia Limited (2)	427,900	-	427,900
Techno Design HK Limited (2)	253,375	31,669	253,375
Sourcing Solutions Europe (2)	852,306	-	852,306
Kleider Sourcing Hong Kong Limited (2)	-	5,018,100	5,018,100
Fareast Vogue Limited (2)	-	194,500	194,500
	3,448,443	5,394,908	

(1) Connected person: Imran Peter RATH
(2) Fellow subsidiaries

Principal terms: The loans, quasi-loans and credit transactions are interest free, unsecured and have no fixed repayment terms.

13. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$	HK$
Trade receivables (Note)	25,333,696	16,847,061
Other receivables	6,201	211
	25,339,897	16,847,272

Note: Aging analysis of trade receivables is as follows:

	2019	2018
Neither past due nor impaired	25,333,696	16,847,061

14. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

15. TRADE AND OTHER PAYABLES

	2019	2018
	HK$	HK$
Trade payables (Note)	12,237,334	2,519,874
Other payables	608,549	108,796
	12,845,883	2,628,670

Note: Maturity of trade payables is as follows:

	2019	2018
Due for payment		
Not later than one year	12,237,334	2,519,874

16. SECURED BANK BORROWINGS

	2019	2018
	HK$	HK$
Trust receipt loans	562,060	-
Clean import loans	714,775	-
Factoring loans	8,569,081	-
Discounted bills loans (Note)	1,227,307	3,118,262
	11,073,223	3,118,262

Note: The discounted bills loans are secured by shareholders' corporate guarantee and directors' personal guarantee as disclosed in note (20).

17. SHARE CAPITAL

	2019		2018	
	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.

18. COMMITMENTS

At the end of the reporting period, the Company did not have any significant commitments.

19. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Company's principal financial instrument comprises cash and cash equivalents and secured bank borrowings. The main purpose of the financial instrument is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

The main risks arising from the Company's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any financial institution.

Foreign currency risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Company will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

19. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Foreign currency risk (Cont'd)

(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 related.

	2019 (Expressed in HK$)		
	USD	EUR	GBP
Trade and other receivables	25,339,897	-	-
Trade payables	2,144,570	10,092,764	-
Cash and cash equivalents	2,051,762	360,809	33,234
Net exposure arising from recognised assets and liabilities	29,536,229	10,453,573	33,234

	2018 (Expressed in HK$)		
	USD	EUR	GBP
Trade and other receivables	10,858,062	5,102,604	-
Trade payables	1,396,201	957,364	-
Cash and cash equivalents	85,490	379,317	11,571
Net exposure arising from recognised assets and liabilities	12,339,753	6,439,285	11,571

19. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Foreign 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.

	2019		2018	
	Increase	Decrease	Increase	Decrease
	HK$	HK$	HK$	HK$
Euro Dollars (EUR)	872,873	(872,873)	537,680	(537,680)
British Pounds (GBP)	2,775	(2,775)	966	(966)
USD (United States Dollar)	2,466,275	(2,466,275)	1,030,369	(1,030,369)
	3,341,923	(3,341,923)	1,569,015	(1,569,015)

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 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 2018.

19. FINANCE RISK MANAGEMENT, OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

Interest rate risk

The Company has no significant interest bearing assets except secured bank borrowings. Its expense and operating cash flows are substantially independent of changes in market interest rates. Carrying amounts of financial liabilities as at March 31 that exposed to interest rate risks were as follows:

	2019	2018
	HK$	HK$
Trust receipt loans	562,060	-
Clean import loans	714,775	-
Factoring loans	8,569,081	-
Discounted bills loans	1,227,307	3,118,262
	11,073,223	3,118,262

Sensitivity analysis

At March 31, 2019, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, interest income and profit before taxation for the year ended March 31, 2019 would increase/decrease by a net amount of HK$110,732 (2018: HK$31,183). The carrying amount of financial asset/liability measured at amortized cost and the carrying amount of financial asset/liability bearing interest rate measured at fair value would not be affected by the assumed 100 basis points increase/decrease in interest rate.

Although a financial asset or financial liability may be subject to interest rate risk, its carrying amount may not necessarily be affected by the assumed 100 basis points increase in market interest rates.

20. BANKING FACILITIES

General banking facilities granted by a bank were secured by shareholders' guarantee and directors' personal guarantee.

21. RELATED PARTY TRANSACTIONS

During normal course of business, the Company had the following transactions with the related parties below.

Name	Relationship	Nature of transaction	2019	2018
			HK$	HK$
PDS Asia Star Corporation Limited, Hong Kong	Fellow subsidiary	- Administrative expenses	365,100	-
		- Recharge expenses	-	210,060
Norwest Industries Limited, Hong Kong	Fellow subsidiary	- Commission income	-	1,935,882
		- Commission expenses	541,198	-
		- Compliance expenses	45,099	32,720
		- Interest expenses	153,671	-
Multinational Textile Group Limited, Mauritius	Immediate holding company	- Management fee	575,098	478,470
		- SAP expenses	31,120	31,120
		- Compliance expenses	-	45,819
		- Recharge expenses	-	70,020
Sourcing Solutions Europe, Belgium	Fellow subsidiary	- Recharge expenses	-	2,913,428
		- Commission income	-	72,408
Sourcing Solutions Pakistan (Pvt) Ltd.	Fellow subsidiary	- Recharge expenses	-	5,257,008
		- Commission expenses	-	1,555,821
Design Arc. Europe Limited, Hong Kong	Fellow subsidiary	- Commission income	284,509	13,262
Techno Design HK Limited, Hong Kong	Fellow subsidiary	- Commission income	114,976	57,503
Techno Design GMBH, Germany	Fellow subsidiary	- Commission income	-	70,914
JJ Star Industrial Limited, Hong Kong	Fellow subsidiary	- Administrative expenses	233,400	-
		- Commission income	251,813	-
		- Commission expenses	329,378	-
		- Interest expenses	153,671	-
		- Management fee	287,549	-
		- SAP expenses	31,120	-
		- Compliance expenses	22,553	-

22. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended March 31, 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	January 1, 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	January 1, 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	January 1, 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	January 1, 2019

The Company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.

23. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Company's Board of Directors on May 28, 2019.