

**VIN PEARL GLOBAL VIETNAM LIMITED**

**REPORTS**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE PERIOD FROM MARCH 23, 2017  
(DATE OF INCORPORATION) TO MARCH 31, 2018**

**LOUIS LAI & LUK CPA LIMITED  
CERTIFIED PUBLIC ACCOUNTANTS**

## VIN PEARL GLOBAL VIETNAM LIMITED

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# VIN PEARL GLOBAL VIETNAM LIMITED

## DIRECTORS' CONSOLIDATED REPORT

The directors present their annual report and the annual audited financial statements of the Company for the period from March 23, 2017 (Date of Incorporation) to March 31, 2018.

### PRINCIPAL ACTIVITY

The Company commenced business on May 1, 2017. The principal activity of the Company is investment holding. The principle activity of the subsidiary is set out in Note (22) to the consolidated financial statements.

### RESULT AND APPROPRIATIONS

The results of the Company and its subsidiary (the "Group") for period from March 23, 2017 (Date of Incorporation) to March 31, 2018 are set out in the income statement on page 7.

The directors do not recommend the payment of a dividend.

### SHARE CAPITAL AND RESERVES

Details and movements of share capital of the Company are set out in Note (21) to the financial statements.

There were no movement in reserves except for change to retained earnings which arose from profit or loss and payment of dividends.

### PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment are set out in Note (11) to the consolidated financial statements.

### DIRECTORS

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

| <u>Holding Company</u>                           | <u>Subsidiary</u>                                    |
|--------------------------------------------------|------------------------------------------------------|
| Deepak Kumar SETH (Appointed on March 23, 2017)  | Adriaan Bernard De Jong (Resigned on July 31, 2017)  |
| Pulkit SETH (Appointed on March 23, 2017)        |                                                      |
| Smits Frank Petrus (Appointed on March 23, 2017) |                                                      |
| Agarwal Sweta (Appointed on March 23, 2017)      | Vinod Ramanlal Kantharia (Appointed on May 11, 2017) |

There being no provision in the Company's Articles of Association to the contrary, all directors continue in office for the ensuing period.

**VIN PEARL GLOBAL VIETNAM LIMITED**  
**DIRECTORS' CONSOLIDATED 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 (24) to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Group was a party and in which directors of the Group had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the period.

**MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group or its subsidiary were entered into or existed during the period.

**PERMITTED INDEMNITY PROVISION**

At no time during the financial period and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of the directors of the Group and holding Group (whether made by the Group or otherwise) or an associated Group (if made by the Group).

**BUSINESS REVIEW**

The Company is a wholly owned subsidiary of another body corporate. 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.

By Order of the Board

  
Deepak Kumar SETH  
Chairman

Hong Kong, May 25, 2018.

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LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

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**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBER OF  
VIN PEARL GLOBAL VIETNAM LIMITED  
(incorporated in Hong Kong with limited liability)**

**Opinion**

We have audited the consolidated financial statements of Vin Pearl Global Vietnam Limited (the "Company") and its subsidiary ("the Group") set out on pages 7 to 31, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

**Basis for Opinion**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") 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.

**Fundamental Uncertainty Relating to the Going Concern Basis**

In forming our opinion, we have considered the adequacy of the disclosure made in Note (2) to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. The financial statements have been prepared on a going concern basis, the validity of which depends upon on-going support from the Company's shareholder and the attaining of profitable operation, 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 MEMBER OF**  
**VIN PEARL GLOBAL VIETNAM 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 MEMBER OF**  
**VIN PEARL GLOBAL VIETNAM 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 (Cap.622) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- 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 MEMBER OF**  
**VIN PEARL GLOBAL VIETNAM 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 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 25, 2018.

**VIN PEARL GLOBAL VIETNAM LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND**  
**OTHER COMPREHENSIVE INCOME**

**FOR THE PERIOD FROM MARCH 23, 2017**  
**(DATE OF INCORPORATION) TO MARCH 31, 2018**

|                                                         | <u>NOTES</u> | US\$                    |
|---------------------------------------------------------|--------------|-------------------------|
| REVENUE                                                 | (6)          | 5,177,836               |
| OTHER INCOME AND GAINS                                  | (6)          | 274,299                 |
| COST OF GOODS SOLD                                      |              | (5,141,169)             |
| DEPRECIATION                                            |              | (145,439)               |
| STAFF COSTS                                             |              | (481,551)               |
| FINANCE COSTS                                           | (7)          | (35,558)                |
| OTHER OPERATING EXPENSES                                |              | <u>(310,163)</u>        |
| LOSS BEFORE TAXATION                                    | (8)          | (661,745)               |
| TAXATION                                                | (10)         | <u>-</u>                |
| LOSS FOR THE PERIOD                                     |              | (661,745)               |
| OTHER COMPREHENSIVE EXPENSE                             |              |                         |
| - Exchange difference on translating foreign operations |              | <u>(248)</u>            |
| TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD              |              | <u><u>(661,993)</u></u> |

THE NOTES ON PAGES 12 TO 31 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

**VIN PEARL GLOBAL VIETNAM LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2018**

|                                                     | <u>NOTES</u> | US\$        |
|-----------------------------------------------------|--------------|-------------|
| Non-Current Assets                                  |              |             |
| Property, plant and equipment                       | (11)         | 1,386,851   |
| Long term prepayment                                |              | 128,922     |
| Goodwill                                            | (12)         | 1,932,750   |
|                                                     |              | 3,448,523   |
| Current Assets                                      |              |             |
| Inventories                                         | (13)         | 657,758     |
| Prepayment                                          |              | 121,273     |
| Trade deposit paid                                  |              | 41,707      |
| Trade and other receivables                         | (14)         | 843,474     |
| Cash and cash equivalents                           |              | 106,706     |
|                                                     |              | 1,770,918   |
| Current Liabilities                                 |              |             |
| Amount due to immediate holding company             | (15)         | 1,790,158   |
| Amount due to ultimate holding company              | (15)         | 5,334       |
| Amount due to fellow subsidiaries                   | (15)         | 132,147     |
| Loan from immediate holding company-current portion | (16)         | 671,653     |
| Trade and other payables                            | (17)         | 1,116,939   |
| Obligation under finance lease - current portion    | (18)         | 24,072      |
| Secured bank borrowings                             | (19)         | 769,572     |
|                                                     |              | 4,509,875   |
| Net Current Liabilities                             |              | (2,738,957) |
| Total Assets Less Current Liabilities               |              | 709,566     |

THE NOTES ON PAGES 12 TO 31 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

VIN PEARL GLOBAL VIETNAM LIMITED  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)  
AS AT MARCH 31, 2018

|                                                          | NOTES | US\$                    |
|----------------------------------------------------------|-------|-------------------------|
| Non-Current Liabilities                                  |       |                         |
| Employee benefits obligation                             | (20)  | 73,567                  |
| Loan from immediate holding company- non-current portion | (16)  | 1,244,273               |
| Obligation under finance lease- non-current portion      | (18)  | 41,719                  |
|                                                          |       | <u>1,359,559</u>        |
| NET LIABILITIES                                          |       | <u>(649,993)</u>        |
| DEFICIT                                                  |       |                         |
| Share capital                                            | (21)  | 12,000                  |
| Accumulated losses                                       |       | (661,745)               |
| Translation reserves                                     |       | <u>(248)</u>            |
| TOTAL DEFICIT                                            |       | <u><u>(649,993)</u></u> |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 25, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

  
Deepak Kumar SETH  
Director

  
Pulkit SETH  
Director

THE NOTES ON PAGES 12 TO 31 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

**VIN PEARL GLOBAL VIETNAM LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD FROM MARCH 23, 2017**  
**(DATE OF INCORPORATION) TO MARCH 31, 2018**

|                                               | <u>Share<br/>Capital</u> | <u>Translation<br/>Reserves</u> | <u>Accumulated<br/>Losses</u> | <u>Total</u>     |
|-----------------------------------------------|--------------------------|---------------------------------|-------------------------------|------------------|
|                                               | US\$                     | US\$                            | US\$                          | US\$             |
| Issurance of share capital                    | 12,000                   | -                               | -                             | 12,000           |
| Total comprehensive expense<br>for the period | <u>-</u>                 | <u>(248)</u>                    | <u>(661,745)</u>              | <u>(661,993)</u> |
| At March 31, 2018                             | <u>12,000</u>            | <u>(248)</u>                    | <u>(661,745)</u>              | <u>(649,993)</u> |

THE NOTES ON PAGES 12 TO 31 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# VIN PEARL GLOBAL VIETNAM LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD FROM MARCH 23, 2017  
(DATE OF INCORPORATION) TO MARCH 31, 2018

|                                                                       | US\$                  |
|-----------------------------------------------------------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                           |                       |
| Loss before taxation                                                  | (661,745)             |
| Adjustment for:                                                       |                       |
| Interest expenses                                                     | 35,558                |
| Depreciation                                                          | 145,439               |
| Bad debt                                                              | 15,098                |
| Foreign exchange loss arising from translating foreign currency items | <u>(497)</u>          |
| <b>OPERATING LOSS BEFORE WORKING CAPITAL CHANGES</b>                  | (466,147)             |
| Increase in long term prepayment                                      | (112,519)             |
| Increase in inventories                                               | (83,655)              |
| Decrease in prepayment                                                | 62,159                |
| Increase in trade deposit paid                                        | (41,707)              |
| Increase in trade and other receivables                               | (656,022)             |
| Increase in amount due to immediate holding company                   | 1,790,158             |
| Increase in amount due to ultimate holding company                    | 5,334                 |
| Increase in amount due to fellow subsidiaries                         | 132,147               |
| Increase in trade and other payables                                  | 57,818                |
| Increase in employee benefits obligation                              | <u>(1,038)</u>        |
| <b>CASH GENERATED FROM OPERATIONS</b>                                 | 686,528               |
| Interest paid                                                         | <u>(35,558)</u>       |
| Net cash generated from operating activities                          | 650,970               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                           |                       |
| Proceeds from allotment of share capital                              | 12,000                |
| Payment to acquire property, plant and equipment                      | (757,160)             |
| Net cash paid to acquire a subsidiary                                 | <u>(1,847,465)</u>    |
| Net cash used in investing activities                                 | (2,592,625)           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                           |                       |
| Net proceeds from loan from immediate holding company                 | 1,915,926             |
| Net proceeds from finance lease payables                              | 65,791                |
| Net proceeds from secured bank loans                                  | <u>66,644</u>         |
| Net cash generated from financing activities                          | 2,048,361             |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                      | <u>106,706</u>        |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>                 | <u><u>106,706</u></u> |

THE NOTES ON PAGES 12 TO 31 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. GENERAL

Vin Pearl Global Vietnam Limited is a company incorporated in Hong Kong with limited liability. Its principal activity is investment holding. The address of its registered office is Unit 801-3, 8/F., 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong. The directors consider that the ultimate holding company and immediate holding company are Pearl Global Industries Limited and Pearl Global (HK) Limited respectively. The ultimate holding company and immediate holding company are incorporated in India and Hong Kong respectively. The shares of the ultimate holding company 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 United States Dollars ("US\$"), which is also the Company's functional and presentation currency.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note (5) to the consolidated financial statements.

#### b. Going Concern

The holding company has confirmed its willingness to provide such financial assistance as is necessary to maintain the Group as a going concern. On the strength of this assurance, the financial statements have been prepared on a going concern basis.

#### c. Changes in Accounting Policies and Disclosures

Certain new and revised HKFRSs became effective for the first time during the current financial period but are not applicable to the Group, and accordingly, they have had no material impact on the Group's financial statements for the period from March 23, 2017 (date of incorporation) to March 31, 2018.

#### d. Issued but Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the accounting period ended March 31, 2018, in these consolidated financial statements. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### e. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to March 31. Subsidiary is an entity over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiary is consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balance and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary have been changed 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 statements of financial position the investments in subsidiary is stated at cost less allowance for impairment losses. The results of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### e. Property, Plant and Equipment

Property, plant and equipment except land, are stated at cost less aggregate depreciation and aggregate identified impairment loss, if any.

Depreciation is provided to write off the cost less residual value of property, plant and equipment over its expected useful lives.

|                          |             |
|--------------------------|-------------|
| Land use rights          | 30 years    |
| Buildings and structures | 10-25 years |
| Machineries              | 5-10 years  |
| Motor vehicles           | 8 years     |
| Office equipment         | 3-4 years   |
| Computer software        | 5 years     |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated statement of profit or loss and other comprehensive income.

When assets are sold or otherwise disposed of, their carrying amounts are written off from the consolidated financial statements and any resulting gain or loss is included in the consolidated statement of profit or loss and other comprehensive income.

#### f. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 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 loans and receivables category.

#### i. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the consolidated statement of profit or loss and 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.

#### j. Financial Liabilities

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

The Group's financial liabilities include trade and other payables amounts due to immediate holding company and a director, and secured bank borrowings which are subsequently measured at amortized cost, using the effective interest method.

#### k. Equity Instruments

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

#### l. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method.

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### m. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

#### n. Translation of Foreign Currency

##### (i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United States Dollars ("US\$"), 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.

#### 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.

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### p. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

#### q. Recognition of Revenue

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

- Revenue from sales of goods is recognised when goods are delivered to buyers.
- Financial 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.

#### 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 rate method. Any difference between the proceeds (net of transaction costs, if any) and the settlement or redemption of borrowings is recognised over the terms of borrowings in accordance with the Group's policy for borrowing cost as stated in the preceding note.

#### t. Employee Benefits Obligation

The severance allowance for employees is accrued at the end of each reporting period for all employees having worked at the Company for full 12 months and above. Working time serving as the basis for calculating severance allowance shall be the total actual working time subtracting the time when the employees have made unemployment insurance contributions as prescribed by law, and the working time when severance allowance has been paid to the employees. The allowance made for each year of service equals to a half of an average monthly salary under the Vietnamese Labour Code, Social Insurance Code and relevant guiding documents. The average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the 6 consecutive months nearest to the date of the financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the income statement.

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### u. Goodwill

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 the end of the reporting period.

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 value of the operation disposed of and the portion of the cash-generating unit retained.

#### 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.

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### v. Related Parties (Cont'd)

(B) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

#### w. Financial Risks

The financial risks in connection with the Group's financial instruments include risks as follows.

- (i) Market risk includes three types of risk as below:
  - Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
  - Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
  - Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.
- (ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss.
- (iii) Liquidity risk (also referred to as funding risk): the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.
- (iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- (i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's stability and growth; and
- (iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

### 4. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

#### (i) Financial instruments by category

The financial assets of the Group comprise trade and other receivable, deposits, amounts due from immediate holding company, and cash and cash equivalents which are categorized as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the Consolidated and Company statements of financial position or in the corresponding notes to the consolidated financial statements. The financial liabilities of the Group comprise trade and other payables, and amounts due to immediate holding company and a director, and secured bank borrowings which are categorized as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the Consolidated Statement of Financial Position or in the corresponding notes to the consolidated financial statements.

#### (ii) Financial risk management

The Group's financial risks are limited by the financial management policies and practices described below:

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

- Foreign exchange risk: the Group exposed to foreign exchange risk from various currency exposures primarily Vietnamese Dong. The Group has some forward deals with bank to hedge its exposure to foreign currency risk in connection with the recording currency.
- 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 customers.
- Interest rate risk: the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets.

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

#### (a) Estimate of fair values of current assets and liabilities

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

#### (b) Employee benefits

The Group determines the appropriate discount rate at the end of each period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality bonds that are denominated in the currency in which the benefits will be paid (Vietnamese Dong), and that have maturity approximating the terms of the related post employment benefit liability.

#### (c) Income taxes

The Group is subject to income tax in Vietnam tax jurisdictions. Significant judgment is required in determining local provision for income tax, among other, non deductible expenses. The Group recognises provision for income tax based on self assessment. Where the final tax outcome as a result of tax audit is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

### 6. REVENUE, OTHER INCOME AND GAINS

US\$

Revenue recognised during the period including  
revenue arising from:

Turnover:

Export sales

5,177,836

Other income and gains

Financial income

10,987

Sundry income

263,312

274,299

Total revenue recognised

5,452,135

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7. FINANCE COSTS

|                          | US\$          |
|--------------------------|---------------|
| Interest expenses        | 6,380         |
| Other financial expenses | <u>29,178</u> |
|                          | <u>35,558</u> |

### 8. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

|                                                 |                |
|-------------------------------------------------|----------------|
| Depreciation                                    | 145,439        |
| Staff costs (including directors' remuneration) |                |
| - Salaries and allowance                        | <u>481,551</u> |

### 9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

- (i) Remuneration of the directors of the Group disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

|                                  | US\$     |
|----------------------------------|----------|
| Emoluments:                      |          |
| Acting as directors              | -        |
| Provision of management services | -        |
| Retirement benefits              | <u>-</u> |
|                                  | <u>-</u> |

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS (CONT'D)

- (ii) Material interests of directors (including shadow directors) of the Group disclosed pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

In the opinion of the directors, except for the related party transactions as disclosed in Note (23) to the financial statements, the directors or shadow directors, if any, of the Group had no material interests in those significant transactions, arrangements or contracts in relation to the Group's business entered into by the Group or another company in the same group of companies or subsisted during the period.

### 10. TAXATION

Hong Kong profits tax has not been provided since the Company has no assessable profit for the period. The subsidiary was not obliged to pay corporate income tax expense in Vietnam as there was no taxable income in the period.

- a. The tax charge for the period can be reconciled to the profit per consolidated statement of profit or loss and other comprehensive income as follows:

|                                     | US\$      |
|-------------------------------------|-----------|
| Loss before taxation                | (661,993) |
| Tax at the domestic income tax rate | (153,503) |
| Taxation loss not yet recognised    | 153,503   |
| Taxation expense for the period     | -         |

- b. 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 period.

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11. PROPERTY, PLANT AND EQUIPMENT

|                             | Land use right | Leasehold Building | Buildings and Structures | Machineries | Motor Vehicles | Office Equipment | Computer Software | Total     |
|-----------------------------|----------------|--------------------|--------------------------|-------------|----------------|------------------|-------------------|-----------|
| Cost                        | US\$           | US\$               | US\$                     | US\$        | US\$           | US\$             | US\$              | US\$      |
| Acquisition of a subsidiary | 55,448         | 133,940            | 932,018                  | 995,338     | 52,737         | 63,199           | 10,256            | 2,242,936 |
| Additions                   | -              | -                  | 91,893                   | 540,775     | 82,560         | 41,932           | -                 | 757,160   |
| Disposal                    | -              | -                  | -                        | (159,667)   | (25,715)       | -                | -                 | (185,382) |
| Recallsify to other assets  | -              | -                  | -                        | 6,812       | (2,464)        | (4,348)          | -                 | -         |
| Other decrease              | -              | (91)               | -                        | -           | -              | (771)            | -                 | (862)     |
| Exchange realignment        | 49             | 118                | 822                      | 878         | 817            | 42               | 9                 | 2,735     |
| At 31/3/2018                | 55,497         | 133,967            | 1,024,733                | 1,384,136   | 107,935        | 100,054          | 10,265            | 2,816,587 |
| Accumulated Depreciation    |                |                    |                          |             |                |                  |                   |           |
| Acquisition of a subsidiary | 25,334         | 15,516             | 384,681                  | 948,993     | 40,920         | 42,655           | 10,214            | 1,468,313 |
| Charge for the period       | 1,590          | 15,163             | 49,392                   | 68,165      | 5,162          | 5,925            | 42                | 145,439   |
| Written back on disposal    | -              | -                  | -                        | (159,667)   | (25,715)       | -                | -                 | (185,382) |
| Recallsify to other assets  | -              | -                  | -                        | 329         | (103)          | (226)            | -                 | -         |
| Exchange realignment        | 23             | 20                 | 361                      | 875         | 38             | 40               | 9                 | 1,366     |
| At 31/3/2018                | 26,947         | 30,699             | 434,434                  | 858,695     | 20,302         | 48,394           | 10,265            | 1,429,736 |
| Net Carrying Amount         |                |                    |                          |             |                |                  |                   |           |
| At 31/3/2018                | 28,550         | 103,268            | 590,299                  | 525,441     | 87,633         | 51,660           | -                 | 1,386,851 |

(1) As of March 31, 2018, leasehold building of net carrying amount of US\$103,267 is under finance lease as disclosed in Note (18) to the consolidated financial statements.

(2) As at May 1, 2017, property, plant and equipment of net carrying amount of US\$774,623 were acquired by acquisition of a subsidiary.

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

|     |                                                                                                                                                                                                                                                                                                                                                                                                                                 |                  |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 12. | <u>GOODWILL</u>                                                                                                                                                                                                                                                                                                                                                                                                                 | US\$             |
|     | Cost and carrying amount                                                                                                                                                                                                                                                                                                                                                                                                        |                  |
|     | Acquisition of a subsidiary and as at 31/3/2018                                                                                                                                                                                                                                                                                                                                                                                 | 1,932,750        |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                 | <u>1,932,750</u> |
| 13. | <u>INVENTORIES</u>                                                                                                                                                                                                                                                                                                                                                                                                              | US\$             |
|     | Raw materials                                                                                                                                                                                                                                                                                                                                                                                                                   | 143,293          |
|     | Work in progress                                                                                                                                                                                                                                                                                                                                                                                                                | 514,465          |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                 | <u>657,758</u>   |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                 | <u>657,758</u>   |
| 14. | <u>TRADE AND OTHER RECEIVABLES</u>                                                                                                                                                                                                                                                                                                                                                                                              |                  |
|     | Trade receivables (Note (i))                                                                                                                                                                                                                                                                                                                                                                                                    | 783,188          |
|     | Other receivables                                                                                                                                                                                                                                                                                                                                                                                                               | 60,286           |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                 | <u>843,474</u>   |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                 | <u>843,474</u>   |
|     | (i) Aging analysis of trade receivables is as follows:                                                                                                                                                                                                                                                                                                                                                                          |                  |
|     | Neither past due nor impaired                                                                                                                                                                                                                                                                                                                                                                                                   | 783,188          |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                 | <u>783,188</u>   |
| 15. | <u>AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES</u>                                                                                                                                                                                                                                                                                                                                    |                  |
|     | The amounts due to ultimate holding company/immediate holding company/fellow subsidiaries are interest free and have no fixed terms of repayment. The ultimate holding company, immediate holding company and fellow subsidiaries had agreed not to demand repayment until the Group is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents. |                  |
| 16. | <u>LOAN FROM IMMEDIATE HOLDING COMPANY</u>                                                                                                                                                                                                                                                                                                                                                                                      | US\$             |
|     | Amount repayable within one year                                                                                                                                                                                                                                                                                                                                                                                                | 703,933          |
|     | Amount repayable in 2 <sup>nd</sup> to 5 <sup>th</sup> year                                                                                                                                                                                                                                                                                                                                                                     | 1,244,273        |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                 | <u>1,948,206</u> |
|     |                                                                                                                                                                                                                                                                                                                                                                                                                                 | <u>1,948,206</u> |
|     | Loan from immediate holding company is unsecured and interest free. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.                                                                                                                                                                                                                                                       |                  |

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17. TRADE AND OTHER PAYABLES

US\$

|                           |                  |
|---------------------------|------------------|
| Trade payables (Note (i)) | 598,042          |
| Other payables            | <u>518,897</u>   |
|                           | <u>1,116,939</u> |

(i) Maturity of the trade payables is as follows:

|                         |                |
|-------------------------|----------------|
| Due for payment:        |                |
| Not later than one year | <u>598,042</u> |

### 18. OBLIGATION UNDER FINANCE LEASE

The carrying amount of the obligation under finance lease at the end of reporting period is analysed as follows:

US\$

|                                                             |               |
|-------------------------------------------------------------|---------------|
| Amount repayable within one year                            | 24,072        |
| Amount repayable in 2 <sup>nd</sup> to 5 <sup>th</sup> year | <u>41,719</u> |
|                                                             | <u>65,791</u> |

### 19. SECURED BANK BORROWINGS

The carrying amount of the secured bank borrowings at the end of reporting period is analysed as follows:

US\$

|                                                                                        |                |
|----------------------------------------------------------------------------------------|----------------|
| Amount repayable within one year:                                                      |                |
| Term loan                                                                              | <u>754,298</u> |
| Amount not repayable within one year but contain a repayment on demand clause (Note a) |                |
| - Amount repayable in the 2 <sup>nd</sup> year                                         | <u>15,274</u>  |
|                                                                                        | <u>769,572</u> |

- (a) The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.
- (b) The bank loan facilities are secured by the subsidiary's land use right, some machines and motor vehicles.

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20. EMPLOYEE BENEFITS OBLIGATION

|                                                                                       | US\$           |
|---------------------------------------------------------------------------------------|----------------|
| Acquisition of a subsidiary                                                           | 74,605         |
| Charged to consolidated statement of profit or loss<br>and other comprehensive income | <u>(1,038)</u> |
| Balance carried forward                                                               | <u>73,567</u>  |

### 21. SHARE CAPITAL

|                                           | <u>2018</u>              |               | <u>2017</u>              |               |
|-------------------------------------------|--------------------------|---------------|--------------------------|---------------|
|                                           | <u>No. of<br/>shares</u> | <u>Amount</u> | <u>No. of<br/>shares</u> | <u>Amount</u> |
|                                           |                          | US\$          |                          | US\$          |
| Issued and fully paid:<br>Ordinary shares |                          |               |                          |               |
| At March 31                               | <u>12,000</u>            | <u>12,000</u> | <u>12,000</u>            | <u>12,000</u> |

The Company was incorporated on March 23, 2017. On the date of incorporation, 12,000 ordinary shares of US\$1 each was issued to the subscriber to provide initial working capital of the Company.

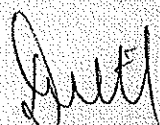
The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

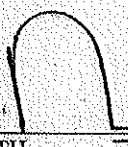
VIN PEARL GLOBAL VIETNAM LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY

|                                         | <u>NOTES</u> | US\$        |
|-----------------------------------------|--------------|-------------|
| Non-Current Assets                      |              |             |
| Investment in a subsidiary              | (20a)        | 1,904,637   |
| Current Assets                          |              |             |
| Cash and cash equivalents               |              | 36,062      |
| Current Liabilities                     |              |             |
| Amount due to ultimate holding company  |              | 1,790,158   |
| Amount due to immediate holding company |              | 5,334       |
| Amount due to fellow subsidiaries       |              | 132,147     |
| Other payables                          |              | 141,448     |
|                                         |              | 2,069,087   |
| Net Current Liabilities                 |              | (2,033,025) |
| NET LIABILITIES                         |              | (128,388)   |
| DEFICIT                                 |              |             |
| Share capital                           |              | 12,000      |
| Accumulated losses                      |              | (140,388)   |
| TOTAL DEFICIT                           |              | (128,388)   |

APPROVED BY THE BOARD OF DIRECTORS ON MAY 25, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

  
Deepak Kumar SETH  
Director

  
Pulkit SETH  
Director

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 22. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

#### (a) Particulars of principal subsidiary

| <u>Name of subsidiary</u>             | <u>Place of incorporation</u> | <u>Percentage of equity attributable to the Company</u> | <u>Principal activity</u>              |
|---------------------------------------|-------------------------------|---------------------------------------------------------|----------------------------------------|
| Pearl Global Vietnam Company Limited* | Vietnam                       | 100%                                                    | Engaged in garment processing industry |

\* Not audited by Louis Lai & Luk CPA Limited

### 23. MOVEMENT IN THE RESERVES OF THE COMPANY

|                                            | <u>Accumulated Losses</u> |
|--------------------------------------------|---------------------------|
|                                            | US\$                      |
| Total comprehensive expense for the period | (140,388)                 |
| At March 31, 2018                          | <u>(140,388)</u>          |

### 24. RELATED PARTY TRANSACTIONS

During normal course of business, the Group had the following material transactions with its related parties below.

| <u>Name of Company</u>          | <u>Relationship</u>       | <u>Nature of transaction</u>                   | US\$                       |
|---------------------------------|---------------------------|------------------------------------------------|----------------------------|
| Pearl Global (HK) Limited       | Immediate holding company | - Other payables                               | 1,790,158                  |
| DSSP Global Limited             | Fellow subsidiary         | - Amount due to<br>- Management fee            | 43,603<br>37,500           |
| Pearl Grass Creations Limited   | Fellow subsidiary         | - Amount due to<br>- Trade payables<br>- Sales | 88,544<br>80,654<br>78,410 |
| Pearl Global Industries Limited | Ultimate holding company  | - Amount due to                                | <u>5,334</u>               |

# VIN PEARL GLOBAL VIETNAM LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25. CURRENCY RISK

#### (i) Exposure to currency risk

The following table details the Group's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the Group to which they relate. For presentation purpose, the amounts of the exposure are shown in United States dollars, translated using the spot rate at the end of reporting period.

|                                                                   | (Expressed in US\$) |         |         |
|-------------------------------------------------------------------|---------------------|---------|---------|
|                                                                   | <u>2018</u>         |         |         |
|                                                                   | HK\$                | VND     | Total   |
| Bank and cash balances                                            | 2,624               | -       | 2,624   |
| Trade and other payables                                          | -                   | 343,095 | 343,095 |
| Net exposure arising<br>from recognised assets<br>and liabilities | 2,624               | 343,095 | 345,719 |

#### (ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit/loss before 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.

|                        | <u>Increase</u> | <u>Decrease</u> |
|------------------------|-----------------|-----------------|
|                        | US\$            | US\$            |
| Hong Kong Dollar (HKD) | 262             | (262)           |
| Vietnamese Dong (VND)  | 34,310          | (34,310)        |
|                        | 34,572          | (34,572)        |

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.

## VIN PEARL GLOBAL VIETNAM LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 25. CURRENCY RISK (CONT'D)

##### (ii) Sensitivity analysis (Cont'd)

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 Hong Kong 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 United States dollars at the exchange rate ruling at the end of reporting period for presentation purposes.

#### 26. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Company's Board of Directors on May 25, 2018.