

VIN PEARL GLOBAL VIETNAM LIMITED

REPORTS

AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

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

VIN PEARL GLOBAL VIETNAM LIMITED

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VIN PEARL GLOBAL VIETNAM LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the annual audited consolidated financial statements of the Group for the year ended March 31, 2021.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding. The principle activity of the subsidiary is set out in Note (21a) to the consolidated financial statements.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Company and its subsidiary (the "Group") for the year ended March 31, 2021 and the financial position of the Group are set out in the consolidated financial statements on pages 7 to 9.

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

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment are set out in Note (10) to the consolidated financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in Note (20) to the consolidated financial statements.

DIRECTORS

(a) Directors of the Company

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

Deepak Kumar SETH	
Pulkit SETH	
Gurusankar GURUMOORTHY	
Sumit Lath	(Appointed on July 15, 2020)
Sweta AGARWAL	(Resigned on July 15, 2020)

In accordance with Article 22 of the Company's Articles of Association, all directors continue in office for the ensuring year.

(b) Director of the Company's subsidiary

The director of the subsidiary during the year and up to the date of this report was:

Gurusankar GURUMOORTHY

VIN PEARL GLOBAL VIETNAM LIMITED

REPORT OF DIRECTORS (CONT'D)

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for the related party transactions as disclosed in Note (23) to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company's holding companies, subsidiary or fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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 for the benefit of the directors was in force during the year and up to the date of this report.

BUSINESS REVIEW

No business review is presented as the Company has been able to claim an exemption under section 388(3) of the Hong Kong Companies Ordinance (Cap. 622) since the Company is a wholly owned subsidiary of another body corporate as at the end of reporting period.

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, June 3, 2021.

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

LUK KAR MAN CPA (PRACTISING) 陸嘉敏會計師

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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 50, which comprise the consolidated statement of financial position as at March 31, 2021, 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, 2021, 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.

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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 directors' 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 HKSA's 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 HKSA's, 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.

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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, June 3, 2021.

VIN PEARL GLOBAL VIETNAM LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2021

	<u>NOTES</u>	<u>2021</u>	<u>2020</u> (Restated)
		US\$	US\$
REVENUE	(5)	20,184,077	16,132,925
COST OF SALES		<u>(18,610,549)</u>	<u>(15,124,643)</u>
GROSS PROFIT		1,573,528	1,008,282
OTHER INCOME AND GAINS	(5)	231,455	68,109
STAFF COSTS		(722,740)	(646,724)
OTHER OPERATING EXPENSES		<u>(797,046)</u>	<u>(564,782)</u>
PROFIT FROM OPERATION		285,197	(135,115)
FINANCE COSTS	(6)	<u>(119,020)</u>	<u>(69,903)</u>
PROFIT/(LOSS) BEFORE TAXATION	(7)	166,177	(205,018)
TAXATION	(9)	<u>-</u>	<u>-</u>
PROFIT/(LOSS) FOR THE YEAR		166,177	(205,018)
OTHER COMPREHENSIVE INCOME/(LOSS)			
- Exchange difference on translating foreign operations		<u>5,619</u>	<u>(15,469)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>171,796</u></u>	<u><u>(220,487)</u></u>

THE NOTES ON PAGES 13 TO 50 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

VIN PEARL GLOBAL VIETNAM LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021

	<u>NOTES</u>	<u>2021</u>	<u>2020</u> (Restated)
		US\$	US\$
Non-Current Assets			
Property, plant and equipment	(10)	1,313,327	1,415,972
Right-of-use assets	(11)	22,806	24,160
Long term prepayment		-	-
Goodwill	(12)	1,932,750	1,932,750
		3,268,883	3,372,882
Current Assets			
Inventories	(13)	3,583,595	2,680,362
Prepayment		113,823	153,398
Trade deposit paid		106,734	225,322
Trade and other receivables	(14)	5,248,752	3,758,175
Cash and cash equivalents		267,275	171,939
		9,320,179	6,989,196
Current Liabilities			
Amount due to ultimate holding company	(15)	1,869	1,869
Amount due to immediate holding company	(15)	4,161,108	4,066,817
Amounts due to fellow subsidiaries	(15)	275,375	269,448
Loan from immediate holding company		750,000	-
Trade and other payables	(17)	5,229,092	4,336,498
Obligation under finance lease	(18)	-	4,009
Secured bank borrowings	(19)	2,869,258	2,680,420
		13,286,702	11,359,061
Net Current Liabilities		(3,966,523)	(4,369,865)
Total Assets Less Current Liabilities		(697,640)	(996,983)

THE NOTES ON PAGES 13 TO 50 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, 2021

	<u>NOTES</u>	<u>2021</u>	<u>2020</u> (Restated)
		US\$	US\$
Non-Current Liabilities			
Employee benefits obligation	(20)	90,168	91,690
Loan from immediate holding company	(16)	746,737	1,123,672
Obligation under finance lease	(18)	-	3,039
		<u>836,905</u>	<u>1,218,401</u>
NET LIABILITIES		<u>(1,534,545)</u>	<u>(2,215,384)</u>
DEFICIT			
Share capital	(21)	12,000	12,000
Accumulated losses		(2,072,134)	(2,238,311)
Other reserve		509,043	-
Translation reserves		<u>16,546</u>	<u>10,927</u>
TOTAL DEFICIT		<u>(1,534,545)</u>	<u>(2,215,384)</u>

APPROVED BY THE BOARD OF DIRECTORS ON JUNE 3, 2021 AND SIGNED ON BEHALF OF THE BOARD BY:



 Deepak Kumar SETH
 Director



 Pulkit SETH
 Director

THE NOTES ON PAGES 13 TO 50 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

VIN PEARL GLOBAL VIETNAM LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2021

	Attributable to owner of the Company				
	<u>Share capital</u>	<u>Translation reserve</u>	<u>Other reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
	US\$	US\$	US\$	US\$	US\$
At April 1, 2019	12,000	26,396	-	(2,033,293)	(1,994,897)
Profit for the year, as previously reported	-	-	-	24,729	24,729
Prior year adjustment	-	-	-	(229,747)	(229,747)
Loss for the year, as restated	-	-	-	(205,018)	(205,018)
Other comprehensive loss for the year	-	(15,469)	-	-	(15,469)
At March 31, 2020	12,000	10,927	-	(2,238,311)	(2,215,384)
Profit for the year	-	-	-	166,177	166,177
Other comprehensive income for the year	-	5,619	509,043	-	514,662
At March 31, 2021	12,000	16,546	509,043	(2,072,134)	(1,534,545)

THE NOTES ON PAGES 13 TO 50 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

VIN PEARL GLOBAL VIETNAM LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2021

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before taxation	166,177	(205,018)
Adjustment for:		
Loss on disposal of plant and equipments	-	580
Employee benefits expenses	-	43,416
Bank interest expenses	119,020	69,903
Depreciation of property, plant and equipment	202,657	187,225
Depreciation of right-of-use assets	1,698	1,692
Devaluation of inventories	291,840	32,287
Write-off of other payables	(40,006)	-
Operating profit before working capital changes	741,386	130,085
Decrease in long-term prepayment	-	135,600
Increase in inventories	(1,195,073)	(1,570,087)
Decrease/(Increase) in prepayment	39,575	(4,973)
Decrease/(Increase) in trade deposit paid	118,588	(221,805)
Increase in trade and other receivables	(1,490,577)	(2,312,426)
Net receipts from immediate holding company	94,291	2,246,659
Net (payments to) ultimate holding company	-	(16,049)
Net receipts from/(payments to) fellow subsidiaries	5,927	(14,699)
Increase in trade and other payables	932,600	30,472
Cash used in operations	(753,283)	(1,597,223)
Bank interest paid	(119,020)	(69,903)
Payments for employee benefits obligations	(2,876)	(22,781)
Net cash used in operating activities	(875,179)	(1,689,907)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire property, plant and equipment	(80,518)	(172,467)
Proceeds from disposal of property, plant and equipment	-	2,800
Net cash used in investing activities	(80,518)	(169,667)

THE NOTES ON PAGES 13 TO 50 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

VIN PEARL GLOBAL VIETNAM LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)
FOR THE YEAR ENDED MARCH 31, 2021

	<u>2021</u>	2020 (Restated)
	US\$	US\$
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan from immediate holding company	373,065	147,624
Repayment for obligation under finance lease	(7,048)	(19,794)
Proceeds from secured bank borrowings	9,684,844	9,891,030
Repayment of secured bank borrowings	(8,986,962)	(7,872,207)
Net repayment for unsecured bank borrowing	<u>-</u>	<u>(346,460)</u>
Net cash generated from financing activities	<u>1,063,899</u>	<u>1,800,193</u>
 NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	 108,202	 (59,381)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	 171,939	 231,021
 EFFECT OF FOREIGN EXCHANGE RATE CHANGES	 <u>(12,866)</u>	 <u>300</u>
 CASH AND CASH EQUIVALENTS AT END OF THE YEAR	 <u>267,275</u>	 <u>171,940</u>

THE NOTES ON PAGES 13 TO 50 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 (the "Company") is a company incorporated in Hong Kong with limited liability. Its principal activity is investment holding. The address of its registered office is Room 1801, 18/F., Kimberland Centre, No. 55 Wing Hong Street, Cheung Sha Wan, Kowloon. 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 ("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 United States Dollars ("US\$"), 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. Going Concern

The Group had a capital deficiency of US\$1,534,545 as at March 31, 2021. Notwithstanding these conditions, the going concern basis has been adopted because the ultimate holding company and the immediate holding company have agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

c. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to March 31, 2021. 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 shareholder 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 shareholder 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 are 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)

d. 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) Amendments to HKAS 1 and HKAS 8, Definition of Material
- (ii) Amendments to HKFRS 3, Definition of a Business
- (iii) Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

e. Property, Plant and Equipment

An item of property, plant and equipment, other than construction in progress, is stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss and other comprehensive income 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 a 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, as follows:

Buildings and structures	10-25 years
Machineries	5-10 years
Motor vehicles	8 years
Office equipment	3-4 years
Computer software	5 years

An item of property, 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 and other comprehensive income when the asset is derecognised.

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

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

e. Property, Plant and Equipment (Cont'd)

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

f. Leases

Definition of a lease

Lease is a contract contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Company assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Company as lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated nonlease components as a single lease component.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Leases (Cont'd)

The Company as lessee (Cont'd)

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company; and
- an estimate of costs to be incurred by the Company in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Company is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Company presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Company recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

VIN PEARL GLOBAL VIETNAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Leases (Cont'd)

The Company as lessee (Cont'd)

Lease liabilities (Cont'd)

The lease payments include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amount expected to be payable by the Company under residual value guarantees;
- the exercise price of purchase options, if the Company is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Company remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Company presents lease liabilities as a separate line in the consolidated statement of financial position.

Lease modifications

The Company accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Company remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Leases (Cont'd)

The Company as lessee (Cont'd)

Lease modifications (Cont'd)

The Company accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

g. 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.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Inventories

Inventories are assets which are held for sale in the ordinary course of business.

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

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.

i. 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 and other comprehensive income 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 and other comprehensive income 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.

VIN PEARL GLOBAL VIETNAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

j. Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) 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.

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 market place.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset.

Debt instruments

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECLs") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases:

- (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and
- (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

j. Financial Instruments (cont'd)

(ii) Impairment loss on financial assets (cont'd)

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

VIN PEARL GLOBAL VIETNAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

j. Financial Instruments (Cont'd)

(iii) Financial liabilities

The Group's financial liabilities are initially measured at fair value, net of directly attributable cost incurred and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including creditors, other advances and accrued charges and borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss. Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expires or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9/HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(vi) 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.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

k. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

l. Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

m. Revenue Recognition

(i) Revenue from contract 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, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs;
or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

VIN PEARL GLOBAL VIETNAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

m. Revenue Recognition (Cont'd)

(i) Revenue from contract with customers (cont'd)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. 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. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

- Sales of goods

Revenue from sales of goods is recognised when the customers have obtained control of the goods, being when the goods are delivered to the respective customers' specific locations and have been accepted by the customers, and the corresponding trade receivable are recognised as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. There is generally only one performance obligation.

(ii) Revenue from other sources

- 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.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable 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 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, if material, is charged or credited in the consolidated statement of profit or loss and other comprehensive income.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognized the right-of use assets and the related leased liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use or the lease liabilities.

For the leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognized at initial recognized and over the lease terms due to application of the initial recognition exemption.

o. 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.

VIN PEARL GLOBAL VIETNAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

p. Employee Benefits Obligation

The severance allowance for employees is accrued at the end of each reporting period for all employees having worked at the Group 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 consolidated statement of profit or loss and other comprehensive income.

q. 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.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

q. Translation of Foreign Currency (Cont'd)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the exchange rate adopted by the directors which is closely commensurate with the prevailing year-end exchange rates at the date of that statement of financial position;
- (ii) income and expenses for each income statement are translated at the exchange rate adopted by the directors which is closely commensurate with the prevailing average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income as part of the gain or loss on sale.

r. 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)

r. 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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependants of that person or that person's spouse or domestic partner.

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 shareholder 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 shareholder, return capital to shareholder, 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, 2021 and March 31, 2020.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts 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 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.

Judgements

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

Revenue from contracts with customers

The Group assesses its revenue arrangements against specific criteria, i.e. whether it has exposure to the significant risks and rewards associated with the sale of goods & rendering of services, in order to determine if it is acting as a principal or as an agent. The Group has concluded that it is operating on a principal to principal basis in all its revenue arrangements.

The Group applies judgement to determine whether each product or service promised to a customer are capable of being distinct, and are distinct in the context of contract, if not the promised services are combined and accounted as a single performance obligation.

For performance obligation where control is transferred over the time, revenues are recognised by measuring progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the promised service to be rendered.

Provision for expected credit loss on trade receivables

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

Depreciation on property, plant and equipment

Depreciation on the Group's property, plant and equipment is calculated using the straight-line method to allocate cost up to residual values over the estimated useful lives of the assets. Management reviews the useful lives and residual values periodically to ensure that the method and rate of depreciation are consistent with the expected pattern of realisation of economic benefits rates of depreciation are consistent with the expected pattern of realization of economic benefits from property, plant and equipment. The accounting estimate of the useful lives of plant and equipment is based on historical experience, taking into account anticipated technological changes.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. REVENUE, OTHER INCOME AND GAINS

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Revenue, other income and gains recognised during the year are as follow:		
Revenue		
Sales	20,184,077	16,132,925
	-----	-----
Other income and gains		
Foreign exchange gains, net	-	36
Financial income	191,283	36,868
Sundry income	166	31,205
Write-off of other payables	40,006	-
	-----	-----
	231,455	68,109
	-----	-----
	20,415,532	16,201,034
	=====	=====

6. FINANCE COSTS

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Bank loan interest expenses	119,020	69,903
	=====	=====

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. PROFIT/(LOSS) BEFORE TAXATION

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Profit before taxation is stated after charging/(crediting):		
Loss on disposal of property, plant and equipment	-	580
Depreciation of property, plant and equipment#	202,657	187,225
Depreciation of right-of-use assets @	1,698	1,692
Devaluation of inventories	324,127	32,287
Staff costs (including directors' remuneration)		
- Salaries and allowance*	5,867,499	6,026,215
Write-off of other payables	(40,006)	-
	<u>=====</u>	<u>=====</u>

Depreciation of property, plant and equipment of US\$202,657 (2020: US\$187,225) has been charged to cost of sales in the consolidated statement of profit or loss and other comprehensive income.

& Depreciation of right-of-use assets of US\$1,698 (2020: US\$1,692) has been charged to cost of sales in the consolidated statement of profit or loss and other comprehensive income.

* Salaries of US\$5,144,759 (2020: US\$5,379,491) has been charged to cost of sales in the consolidated statement of profit or loss and other comprehensive income, US\$722,740 (2020: US\$646,724) has been charged to staff costs in the consolidated statement of profit or loss and other comprehensive income.

8. DIRECTORS' REMUNERATION

No fees or other emoluments were paid or payable to the directors during the year (2020: Nil).

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. TAXATION

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

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

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Profit/(Loss) before taxation	166,177	(205,018)
Tax at the domestic income tax rate	35,211	(33,828)
Tax effect of income that are not taxable	(5,582)	-
Tax effect of expenses not deductible	5,699	28,163
Utilisation of tax loss	(35,328)	-
Tax effect of tax loss not recognised	-	5,665
Tax charge for the year	-	-

- b. No deferred tax has been recognised in the consolidated financial statements on the grounds that the Group has no taxable/deductible temporary differences during the current year and prior year.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

	Land use right	Buildings and structures	Machineries	Motor vehicles	Office equipment	Computer software	Construction in progress	Total
Cost	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 1/4/2019	54,113	1,088,791	1,552,538	107,110	134,192	10,009	30,260	2,977,013
Addition	-	36,588	96,751	-	25,031	14,097	-	172,467
Transfer	(54,113)	18,729	-	-	-	9,398	(28,127)	-
Transfer to right-of-use assets upon adoption of HKFRS 16	-	-	-	-	(3,759)	-	-	(54,113)
Disposal	-	(12,041)	(17,170)	(1,185)	(1,484)	(111)	(335)	(3,759)
Exchange realignment	-	-	-	-	-	-	-	(32,326)
At 31/3/2020	-	1,132,067	1,632,119	105,925	153,980	33,393	1,798	3,059,282
Addition	-	15,333	25,011	-	33,228	6,946	-	80,518
Disposal	-	-	(23,956)	-	-	-	-	(23,956)
Exchange realignment	-	16,711	24,093	1,564	2,273	493	27	45,161
At 31/3/2021	-	1,164,111	1,657,267	107,489	189,481	40,832	1,825	3,161,005
Accumulated Depreciation								
At 1/4/2019	27,979	484,158	881,556	29,514	68,483	10,009	-	1,501,699
Transfer to right-of-use assets upon adoption of HKFRS 16	(27,979)	-	-	-	-	-	-	(27,979)
Charge for the year	-	65,257	97,784	11,304	12,481	399	-	187,225
Disposal	-	-	-	-	(379)	-	-	(379)
Exchange realignment	-	(5,686)	(10,248)	(383)	(820)	(119)	-	(17,256)
At 31/3/2020	-	543,729	969,092	40,435	79,765	10,289	-	1,643,310
Charge for the year	-	68,150	103,626	11,335	16,063	3,483	-	202,657
Disposal	-	-	(23,956)	-	-	-	-	(23,956)
Exchange realignment	-	8,500	15,026	676	1,289	176	-	25,667
At 31/3/2021	-	620,379	1,063,788	52,446	97,117	13,948	-	1,847,678
Net Carrying Amount								
At 31/3/2021	-	543,732	593,479	55,043	92,364	26,884	1,825	1,313,327
At 31/3/2020	-	588,338	663,027	65,490	74,215	23,104	1,798	1,415,972

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (1) Prior years adjustments was made to transfer the land use right of the subsidiary to right-of-use assets upon the adoption of HKFRS 16 as at April 1, 2019 as disclosed in Not (26) to the consolidated financial statements.
- (2) As at March 31, 2021, property, plant and equipment of the subsidiary with net carrying amount of US\$566,282 (2020: US\$878,428) are pledged to secure the bank borrowings as disclosed in Note (19) to the consolidated financial statements.
- (3) As at March 31, 2021, machineries of net carrying amount of US\$Nil (2020: US\$67,284) of the subsidiary is under finance lease as disclosed in Note (18) to the consolidated financial statements.
- (4) Depreciation of property, plant and equipment of US\$202,657 (2020: US\$187,225) of the subsidiary has been charged to cost of sales in the consolidated statement of profit or loss and other comprehensive income.

11. RIGHT-OF-USE ASSETS

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	<u>Land use right</u>
	US\$
<u>Cost</u>	
At 1/4/2019	-
Transfer from property, plant and equipment upon adoption of HKFRS 16	54,113
Exchange reallignment	(599)
	<u>53,514</u>
At 31/3/2020	53,514
Exchange reallignment	790
	<u>54,304</u>
At 31/3/2021	<u>54,304</u>
<u>Accumulated Depreciation</u>	
At 1/4/2019	-
Transfer from property, plant and equipment upon adoption of HKFRS 16	27,979
Charge for the year	1,692
Exchange reallignment	(317)
	<u>29,354</u>
At 31/3/2020	29,354
Charge for the year	1,698
Exchange reallignment	446
	<u>31,498</u>
At 31/3/2021	<u>31,498</u>
Net Carrying Amount	
At 31/3/2021	<u>22,806</u>
At 31/3/2020	<u>24,160</u>

VIN PEARL GLOBAL VIETNAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. RIGHT-OF-USE ASSETS (CONT'D)

As at March 31, 2021, the land use right certificate of the subsidiary is pledged to secure the bank borrowings as disclosed in Note (19) to the consolidated financial statements.

The lease terms of the land use right is 30 years with its term up to November 2033. The land is located in Dinh Tri Commune, Bac Giang City, Bac Giang Province. Depreciation is provided to write off the cost of items of right-of-use assets over their expected useful lives using straight line method. When there is no reasonable certainty that ownership will be obtained by the end of the lease term, the assets are depreciated over the lease term.

The Group does not have the option to purchase the right-of-use assets for a nominal amount at the end of the lease terms.

12. <u>GOODWILL</u>	<u>2021</u>	<u>2020</u>
	US\$	US\$
Carrying amount at March 31	1,932,750	1,932,750

13. INVENTORIES

	<u>2021</u>	<u>2020</u>
	US\$	(Restated) US\$
Cost:		
Goods in transit	531,140	353,055
Raw materials	1,680,921	1,487,206
Work in progress	1,091,274	580,950
Finished goods	604,386	291,438
	3,907,721	2,712,649
Less: Provision for devaluation of inventories	(324,126)	(32,287)
Net carrying amount of inventories	3,583,595	2,680,362

During the year, the Group made provision for devaluation of inventories with the amount of US\$324,126 (2020:US\$32,287) because the net realizable value of finished goods was lower than its cost.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE AND OTHER RECEIVABLES

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Trade receivables (Note (a)(b))	5,035,085	2,968,129
Other receivables (Note (c))	<u>213,666</u>	<u>790,046</u>
	<u>5,248,752</u>	<u>3,758,175</u>
Note (a): Third parties	360,774	836,899
Related parties (Note (d))	<u>4,674,311</u>	<u>2,131,230</u>
	<u>5,035,085</u>	<u>2,968,129</u>
Note (b): At March 31, the aging analysis of trade receivables that are not impaired is as follow:		
Current	1,309,946	419,783
Past due less than 30 days	2,557,176	800,780
Past due 30 to 180 days	1,056,804	1,735,689
Past due 181 days to 1 year	110,631	8,305
Past due more than 1 year	<u>528</u>	<u>3,572</u>
	<u>5,035,085</u>	<u>2,968,129</u>
Note (c): Third parties	148,448	28,071
Related parties (Note (d))	<u>65,218</u>	<u>761,975</u>
	<u>213,666</u>	<u>790,046</u>

Note (d): Trade receivables and other receivable from related parties were derived solely from ordinary business transactions. The amounts are interest-free and unsecured.

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

The amounts due to ultimate holding company/immediate holding company are unsecured, interest-free and would not be demanded for repayment if the Group or the Company is not financially capable of repayment.

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

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. LOAN FROM IMMEDIATE HOLDING COMPANY

The carrying amount of the loan from immediate holding company at the end of reporting period is analysed as follows:

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Amount repayable within one year	750,000	-
Amount repayable within 2nd years	-	1,123,672
Amount repayable after 3 years	<u>746,737</u>	<u>-</u>
	<u>1,496,737</u>	<u>1,123,672</u>

Loan from immediate holding company is unsecured and interest free.

17. TRADE AND OTHER PAYABLES

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Trade payables (Note (a))	4,344,637	3,497,770
Other payables and accruals	<u>884,455</u>	<u>838,728</u>
	<u>5,229,092</u>	<u>4,336,498</u>
Note (a): Third parties	1,869,391	766,533
Related party (Note (c))	<u>2,475,246</u>	<u>2,731,237</u>
	<u>4,344,637</u>	<u>3,497,770</u>

Note (b): Aging analysis

At March 31, the aging analysis of trade payables is as follows:

Due for payment:		
Not later than one year	<u>4,344,637</u>	<u>3,497,770</u>

Note (c): Trade payables due to a related party were derived solely from ordinary business transactions. The amounts are interest-free and unsecured.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. OBLIGATION UNDER FINANCE LEASE

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

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Amount repayable within one year	-	4,009
Amount repayable in the 2nd year	<u>-</u>	<u>3,039</u>
	<u>-</u>	<u>7,048</u>

19. SECURED BANK BORROWINGS

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

	<u>2021</u>	<u>2020</u>
	US\$	US\$
<u>Amount repayable within one year</u>		
Term loan	<u>2,869,258</u>	<u>2,680,420</u>

- 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.
- The term loan facilities are interest-bearing and secured by guarantee of the immediate holding company, land use right certificate, and property, plant and equipment of the subsidiary with net carrying amount of US\$566,282 (2020: US\$878,428).

VIN PEARL GLOBAL VIETNAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. EMPLOYEE BENEFITS OBLIGATION

	<u>2021</u>	<u>2020</u>
	US\$	US\$
At April 1	91,690	71,732
Amounts charged to consolidated statement of profit or loss and comprehensive income	-	43,416
Payments during the year	(2,876)	(22,781)
Effects of foreign exchange rate changes	<u>1,354</u>	<u>(677)</u>
At March 31	<u><u>90,168</u></u>	<u><u>91,690</u></u>

21. SHARE CAPITAL

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Issued and fully paid: 12,000 ordinary shares	<u><u>12,000</u></u>	<u><u>12,000</u></u>

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

VIN PEARL GLOBAL VIETNAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

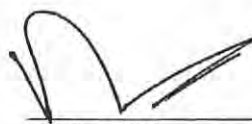
21. COMPANY LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Non-Current Assets		
Investment in a subsidiary	4,124,296	4,124,296
Current Assets		
Cash and cash equivalents	7,209	2,809
Current Liabilities		
Amount due to a subsidiary	-	8,296
Amount due to ultimate holding company	1,869	1,869
Amount due to immediate holding company	4,161,107	4,066,817
Amounts due to fellow subsidiaries	275,375	269,448
Other payables	1,483	122,835
	4,439,834	4,469,265
Net Current Liabilities	(4,432,625)	(4,466,456)
NET LIABILITIES	(308,329)	(342,160)
DEFICIT		
Share capital	12,000	12,000
Accumulated losses	(320,329)	(354,160)
TOTAL DEFICIT	(308,329)	(342,160)

APPROVED BY THE BOARD OF DIRECTORS ON JUNE 3, 2021 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) INVESTMENT IN A SUBSIDIARY

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Unlisted shares, at cost	4,124,296	4,124,296

Details of the subsidiary are as follows. The class of share held is ordinary unless otherwise stated.

<u>Name of subsidiary</u>	<u>Place of Incorporation and operation</u>	<u>Percentage of equity attributable to the Company</u>		<u>Principal activity</u>
		<u>2021</u>	<u>2020</u>	
Pearl Global Vietnam Company Limited*	Vietnam	100%	100%	Engaged in garment processing industry

* Not audited by Louis Lai & Luk CPA Limited

(b) MOVEMENT IN THE EQUITY OF THE COMPANY

	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Total</u>
	US\$	US\$	US\$
At April 1, 2019	12,000	(344,439)	(332,439)
Loss for the year	-	(9,721)	(9,721)
At March 31, 2020	12,000	(354,160)	(342,160)
Profit for the year	-	33,831	33,831
At March 31, 2021	12,000	(320,329)	(308,329)

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS

(A) Categories of financial assets and financial liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities.

	<u>2021</u>	<u>2020</u>
	US\$	US\$
<u>Financial assets</u>		
<i>Financial assets measured at amortised cost</i>		
Trade deposit paid	106,734	225,322
Trade and other receivables	5,248,752	3,758,175
Cash and cash equivalents	<u>267,275</u>	<u>171,939</u>
	<u>5,622,761</u>	<u>4,155,436</u>
<u>Financial liabilities</u>		
<i>Financial liabilities measured at amortised cost</i>		
Amount due to ultimate holding company	1,869	1,869
Amount due to immediate holding company	4,161,108	4,066,817
Amounts due to fellow subsidiaries	275,375	269,448
Loan from immediate holding company	1,496,737	1,123,672
Trade and other payables	5,229,092	4,336,498
Obligation under finance lease	-	7,048
Secured bank borrowings	<u>2,869,258</u>	<u>2,680,420</u>
	<u>14,033,439</u>	<u>12,485,772</u>

(B) Finance risk management, objectives and policies

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include credit risk, foreign currency risk, liquidity risk and interest rate risk.

Policies for managing these risks are set by the Group's board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

(B) Finance risk management, objectives and policies (cont'd)

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instruments would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers and other counterparties in the ordinary course of its operations.

Trade receivables

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are usually due within 30-90 days from the date of billing. Debtors with balances that are past due are usually requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. Trade receivables at the reporting date mainly comprise amounts receivable from sales of goods. No interest is charged on the trade receivables.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The directors of the Group are on the opinion that the expected credit loss rate is close to zero as these trade receivables have no recent history of default.

Expected loss rates are based on actual loss experience over the past one year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

After performing the individual credit evaluations on all customers, no provision for impairment was made on trade receivables during the year.

Other financial assets at amortised cost

As at March 31, 2021, in addition to the cash and bank balances which are considered to have low credit risk, other financial assets at amortised cost of the Group include other receivables and deposits. No provision was made against the gross amount of other receivables, deposits and cash and bank balances because the directors of the Group considered the impact of the ECLs of these financial assets to be insignificant based on past credit history and the nature of these financial assets.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

(B) Finance risk management, objectives and policies (Cont'd)

(b) 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.

	(Expressed in US\$)		
	<u>2021</u>		
	HKD	VND	Total
Trade and other receivables	-	3,991	3,991
Cash and cash equivalents	5,741	27,010	32,751
Trade and other payables	(1,483)	(881,408)	(882,891)
Secured bank borrowings	-	(3,084)	(3,084)
Obligations under finance lease	-	-	-
Net exposure arising from recognised assets and liabilities	4,258	(853,491)	(849,233)

	(Expressed in US\$)		
	<u>2020</u>		
	HKD	VND	Total
Trade and other receivables	-	153,398	153,398
Cash and cash equivalents	1,285	53,327	54,612
Trade and other payables	(1,125)	(715,894)	(717,019)
Secured bank borrowings	-	(9,467)	(9,467)
Obligations under finance lease	-	(3,039)	(3,039)
Net exposure arising from recognised assets and liabilities	160	(521,675)	(521,515)

VIN PEARL GLOBAL VIETNAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

(b) 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.

	<u>2021</u>		<u>2020</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	US\$	US\$	US\$	US\$
Hong Kong Dollar (HKD)	356	(356)	13	(13)
Vietnamese Dong (VND)	<u>(71,266)</u>	<u>71,266</u>	<u>(43,560)</u>	<u>43,560</u>
	<u>(70,910)</u>	<u>70,910</u>	<u>(43,547)</u>	<u>43,547</u>

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 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. The analysis is performed on the same basis for 2020.

(c) 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.

VIN PEARL GLOBAL VIETNAM LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (CONT'D)

(d) Interest rate risk

The Group has no significant interest bearing assets and liabilities 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:

	<u>2021</u>	<u>2020</u>
	US\$	US\$
<i>Financial liabilities bearing variable interests:</i>		
Secured bank borrowings- term loans	(2,869,258)	(2,680,420)

Sensitivity analysis

At March 31, 2021, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, interest income and loss before taxation for the year ended March 31, 2021 would decrease/increase by a net amount of US\$717 (2020: US\$670). 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.

VIN PEARL GLOBAL VIETNAM LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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>	<u>2021</u>	<u>2020</u>
			US\$	US\$
Pearl Global Industries Limited ⁽¹⁾	Ultimate holding company	- Sales - Purchases	6,637,172 465,148	2,296,013
Pearl Global (HK) Limited ⁽²⁾	Immediate holding company	- Sales	1,270,111	5,591,979
DSSP Global Limited ⁽³⁾	Fellow subsidiary	- Sales - Purchases	- 7,329,074	28,800 6,418,559
Pearl Grass Creations Limited ⁽⁴⁾	Fellow subsidiary	- Sales - Purchase	11,225,915 -	2,919,520 -
Pearl Global Fareast Company Limited ⁽³⁾	Fellow subsidiary	- Sales	-	3,920,641

(1) Connected with Deepak Kumar SETH, Pulkit SETH who are the directors of the captioned company.

(2) Connected with Deepak Kumar SETH, Pulkit SETH, Gurusankar GURUMOORTHY and Sumit LATH (Appointed on Jult 15, 2020) who are the directors of the captioned company.

(3) Connected with Deepak Kumar SETH, Pulkit SETH, Sweta AGARWAL (Resigned on July 15, 2020) and Sumit LATH (Appointed on Jult 15, 2020) who are the directors of the captioned company.

(4) Connected with Deepak Kumar SETH, Pulkit SETH, Gurusankar GURUMOORTHY , Sweta AGARWAL (Resigned on July 15, 2020) and Sumit LATH (Appointed on Jult 15, 2020) who are the directors of the captioned company.

25. BANKING FACILITIES

General banking facilities were granted by various banks to the subsidiary of the Group and were secured by guarantee of the immediate holding company of the Group, land use right certificate, property, plant and equipment of the subsidiary with net carrying amount of US\$566,282.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26. PRIOR YEARS ADJUSTMENTS

- (1) In 2020, some expenses were deferred under prepayments, but these expenses should be recognised as expenses in the period in which they were incurred.
- (2) In 2020, land use right of the subsidiary in Vietnam was classified as property, plant and equipment. However, upon adoption of HKFRS 16, land use right should be recognised as right-of-use assets.

These errors have been corrected in the accounting records retrospectively and comparative figures have been restated in the consolidated financial statements. The effect of the restatement on those consolidated financial statements is summarised below. There is no effect in 2020.

		<u>Effect in 2020</u>
		US\$
(Increase) in cost of sales	(1)	(437,953)
Decrease in other operating expenses	(1)	<u>208,206</u>
(Decrease) in profit		<u>(229,747)</u>

		<u>Effect in 2020</u>
		US\$
(Decrease) in long term prepayment	(1)	(143,261)
(Decrease) in prepayment	(1)	(86,486)
(Decrease) in property, plant and equipment	(2)	(24,160)
Increase in right-of-use assets	(2)	<u>24,160</u>
(Decrease) in equity		<u>(229,747)</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. NEW AND AMENDMENTS TO HKFRS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after January 1, 2023.

² Effective for annual periods beginning on or after January 1, 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after June 1, 2020.

⁵ Effective for annual periods beginning on or after January 1, 2021.

27. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Company's Board of Directors on June 3, 2021.