



MODERN INTERNATIONAL (ASIA) LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2014

MODERN INTERNATIONAL (ASIA) LIMITED

CONTENTS

Pages

Report of the directors	1 - 2
Independent auditor's report	3 - 4
Statement of comprehensive income and retained earnings	5
Statement of financial position	6
Statement of cash flows	7
Notes to the financial statements	8 - 15

MODERN INTERNATIONAL (ASIA) LIMITED REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited financial statements of Modern International (Asia) Limited (the "Company") for the year ended 31 March 2014.

PRINCIPAL ACTIVITY

The principal activity of the Company during the year was trading of textiles, luggage, building materials, chemicals and gift items outside Hong Kong.

RESULTS AND APPROPRIATION

The results of the Company for the year ended 31 March 2014 and the state of the Company's affairs as at that date are set out on pages 5 to 15.

The directors do not recommend any payment of dividend in respect of the year ended 31 March 2014 (2013: Nil).

FIXED ASSETS

The movements in fixed assets during the year are set out in note 9 to the financial statements.

RESERVES

The movements in reserves of the Company during the year are set out in the statement of comprehensive income and retained earnings on page 5.

SHARE CAPITAL

Details of share capital of the Company are set out in note 15 to the financial statements.

DIRECTORS

The directors who held office during the financial year and up to the date of this report were:

Vijay Kumar Mahabir Prasad Jatia
Vedant Vijay Kumar Jatia - resigned on 22 April 2014
Sidhant Vijay Kumar Jatia
Vijay Kumar Puranmal Agarwal

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

**MODERN INTERNATIONAL (ASIA) LIMITED
REPORT OF THE DIRECTORS (CONTINUED)**

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

At no time during the year was the Company or its holding company, a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company or its holding company was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' BUSINESS REVIEW

During the year under review, the Company achieved a turnover of US\$19.4M as compared to US\$12.8M in the previous year, an increase of 52% in sales amount and earning a profit of US\$158,000.

To realise the full potential of the Company, the Management is in the process of implementing various new business initiatives and other business activities which will help the Company in achieving its target both in terms of turnover and profitability.

AUDITORS

A resolution for the re-appointment of Vigor CPA Limited as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Chairman,
Vijay Kumar Mahabir Prasad Jatia

Hong Kong, 7 May 2014

VIGOR CPA LIMITED

Certified Public Accountants

Your Ref :

Our Ref.:

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Date : 7 May 2014

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
MODERN INTERNATIONAL (ASIA) LIMITED***(Incorporated in Hong Kong with limited liability)***Report on the financial statements**

We have audited the financial statements of Modern International (Asia) Limited (the "Company") set out on pages 5 to 15, which comprise the statement of financial position as at 31 March 2014, and the statement of comprehensive income and retained earnings and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with the Hong Kong Financial Reporting Standard for Private Entities issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF
MODERN INTERNATIONAL (ASIA) LIMITED (CONTINUED)***(Incorporated in Hong Kong with limited liability)****Basis for qualified opinion***

As more fully explained in notes 2.1 and 10, investment in an associate was accounted for using the cost method and carried at cost at US\$51,623 on the statement of financial position at 31 March 2014. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of this investment, and consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph, the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2014 and of its profit and cash flows for the year then ended in accordance with the Hong Kong Financial Reporting Standard for Private Entities and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Report on matters under sections 141(4) and 141(6) of the Hong Kong Companies Ordinance

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the investment in an associate:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept.


VIGOR CPA LIMITED*Certified Public Accountants***Leung Wai Kim, Edmund***Practising Certificate No. P03194*

Hong Kong, 7 May 2014

MODERN INTERNATIONAL (ASIA) LIMITED
STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 MARCH 2014

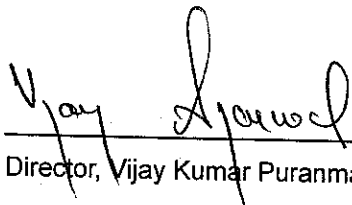
	Notes	2014 <u>US\$</u>	2013 <u>US\$</u>
Turnover	4	19,409,048	12,807,040
Cost of sales		(18,666,076)	(12,390,632)
Gross profit		742,972	416,408
Other revenue	5	10,913	23,964
Selling and distribution expenses		(339,115)	(166,704)
Other operating expenses		(256,297)	(273,162)
Profit before tax	6	158,473	506
Income tax	8	—	—
Profit for the year		158,473	506
Accumulated profits at start of year		309,988	309,482
Accumulated profits at end of year		468,461	309,988

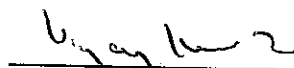
The accompanying notes form an integral part of these financial statements.

MODERN INTERNATIONAL (ASIA) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	Notes	2014 <u>US\$</u>	2013 <u>US\$</u>
Non-current assets			
Plant and equipment	9	1,529	—
Investment in associated company	10	51,623	51,623
		<u>53,152</u>	<u>51,623</u>
Current assets			
Trade and other receivables	11	5,935,042	3,095,924
Cash and cash equivalents	12	1,083,470	906,939
		<u>7,018,512</u>	<u>4,002,863</u>
Current liabilities			
Bank overdraft - secured		(91,622)	—
Trade and other payables	13	(5,221,140)	(2,454,498)
Amount due to related company	14	(10,441)	(10,000)
		<u>(5,323,203)</u>	<u>(2,464,498)</u>
Net current assets		<u>1,695,309</u>	<u>1,538,365</u>
Net assets		<u>1,748,461</u>	<u>1,589,988</u>
Capital and reserves			
Share capital	15	1,280,000	1,280,000
Accumulated profits		468,461	309,988
Total equity		<u>1,748,461</u>	<u>1,589,988</u>

The financial statements were approved and authorized for issue by the board of directors on 7 May 2014


 Director, Vijay Kumar Puranmal Agarwal


 Director, Vijay Kumar Mahabir Prasad Jatia

The accompanying notes form an integral part of these financial statements.

MODERN INTERNATIONAL (ASIA) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 <u>US\$</u>	2013 <u>US\$</u>
Operating activities			
Profit before taxation		158,473	506
Adjustments for :			
- Depreciation		202	—
- Interest income		(10,913)	(23,964)
- Interest expense		233,527	141,413
Operating profit before working capital changes		381,289	117,955
(Increase) in trade and other receivables		(2,839,118)	(221,738)
(Increase)/decrease in pledged bank deposits		(178,908)	2,350
Decrease in amount due from associated company		—	25,000
Increase in trade and other payables		2,766,642	186,386
Increase in amount due to related company		441	—
Cash generated from operations		130,346	109,953
Interest paid		(233,527)	(141,413)
Net cash used in operating activities		(103,181)	(31,460)
Investing activities			
Payments to acquire plant and equipment		(1,731)	—
Interest received		10,913	23,964
Net cash generated from investing activities		9,182	23,964
Net (decrease) in cash and cash equivalents		(93,999)	(7,496)
Cash and cash equivalents at start of year		4,689	12,185
Cash and cash equivalents at end of year	12	(89,310)	4,689

The accompanying notes form an integral part of these financial statements.

1. GENERAL INFORMATION

Modern International (Asia) Limited (the "Company") is a limited liability company incorporated in Hong Kong. The Company has its registered office at 36th Floor, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company has no principal place of business as all its sales and purchases are conducted through representatives visiting Dubai, India and Mainland China.

The directors consider the immediate parent and ultimate controlling party of the Company to be Modern India Limited, which is incorporated in Republic of India. The principal activity of the Company during the year was trading of textiles, luggage, building materials, chemicals and gift items outside Hong Kong.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standard for Private Entities (HKFRS for Private Entities) issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinance.

The financial statements have been prepared on the historical cost basis and presented in United States dollars, unless otherwise stated.

2.1 Associated companies

An associate is an entity, including an unincorporated entity such as a partnership, over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. The Company has elected to account for its investment in an associate at cost less any accumulated impairment losses and there is no published price quotation available for the Company associate.

2.2 Plant and equipment

Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight line method at an annual rate of 20%.

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

2.3 Trade and other receivables

Trade receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method, less provision for impairment, unless the effect of discounting would be immaterial, in which case they are stated at cost less impairment loss.

At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdraft is shown within borrowings in current liabilities on the statement of financial position.

2.5 Trade and other payables

Trade and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method, unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.6 Impairment of assets

At each reporting date, investment and other assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

2.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and returns, provided it is probable that the economic benefits will flow to the Company and can be measured reliably, as follows:

- i. Income from the trading of textiles and luggage is recognised when goods are delivered at the customers' premises which are taken to the point in time when the customer has accepted the goods and the related risks of ownership.
- ii. Bank interest income is recognised as it accrues using the effective interest method.
- iii. Commission income is recognised when the related services are rendered and an invoice issued.

2.8 Foreign currency translation

i. Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). These financial statements are presented in United States dollars, which is the Company's functional and presentation currency.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Income tax

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 profit as reported in the statement of income and retained earnings because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognized in profit or loss. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.10 Related parties

For the purpose of these financial statements, related party includes a person and entity as defined below:

- (a) A person or a close member of that person's family is related to the Company if that person:
 - (i) is a member of the key management personnel of the Company or of a parent of the Company;
 - (ii) has control over the Company; or
 - (iii) has joint control or significant influence over the reporting entity or has significant voting power in it.
- (b) An entity is related to the Company if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan.
 - (iii) the entity is controlled or jointly controlled by a person identified in (a).
 - (iv) a person identified in (a)(i) has significant voting power in the entity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements in conformity with HKFRS for Private Entities requires management to make judgments, estimates and assumptions that affect the application of policies and carrying amounts of assets, liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical judgment in applying the entity's accounting policies

In the process of applying the entity's accounting policies, which are described in note 2, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations, which are dealt with in part 3.2 below):-

Taxation

As stated in note 8, no provision for Hong Kong Profits tax or deferred taxation has been made. In the opinion of the directors, the current tax position is a fair reflection of the judgment exercised by them as the Company's income/profit are sourced outside Hong Kong.

3.2 Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimated impairment on receivables

The Company's management assesses the collectability of receivables. This estimate is based on the past collection, credit history and ageing analysis of the Company's receivables, as well as the current economy and market condition. Impairment on receivables is made based on the estimation of the future cash flow expected to arise and the original effective interest rate in order to calculate the present value. The Company's management determines impairment of its receivables on a regular basis and reassesses the impairment of receivables at the end of the reporting period.

Impairment of interests in associates

The Company's management in determining whether interests in associate are impaired requires the assumption made regarding the financial health of near-term business outlook for the investment, including factor such as industry and sector performance, changes in technology and operational and financing cash flow.

Based on the Company's assessment there is no requirement to provide for any allowance for impairment in value of interests in associates. The Company's carrying amount of interests in associates was set out in note 10 to the financial statements.

MODERN INTERNATIONAL (ASIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. TURNOVER

This represents gross invoiced sales to customers, net of discounts and returns.

5. OTHER REVENUE

	2014 <u>US\$</u>	2013 <u>US\$</u>
Interest income	10,913	23,964

6. PROFIT BEFORE TAX

	2014 <u>US\$</u>	2013 <u>US\$</u>
This is stated after charging: -		
Auditors' remuneration	4,420	3,460
Bad debts written off	—	95,000
Bank interest and charges	233,527	141,413
Commission paid	339,115	166,704
Depreciation on plant and equipment	202	—

7. DIRECTORS' REMUNERATION

No directors received, or will receive, any fees or emoluments in respect of services to the Company during the year (2013: Nil).

8. INCOME TAX

No provision for Hong Kong Profits tax or deferred taxation has been made as the Company does not have any income assessable to Hong Kong profits tax for the year (2013: Nil).

MODERN INTERNATIONAL (ASIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. PLANT AND EQUIPMENT

	Office equipment
At cost	
Additions and at 31 March 2014	1,731
Accumulated depreciation	
Charges for the year and at 31 March 2014	202
Carrying amount	
At 31 March 2014	1,529
At 31 March 2013	—

10. INVESTMENT IN ASSOCIATED COMPANY

	2014 US\$	2013 US\$
Unlisted shares, at cost	51,623	51,623

Particulars of the associate as at 31 March 2014 were as follows:

Name of associate	Place of incorporation and operations	Registered share capital	Percentage of interest held
Guangzhou Modern Trading Co. Limited	PRC	HK\$ 1million	40%

11. TRADE AND OTHER RECEIVABLES

	2014 US\$	2013 US\$
Trade receivables	5,655,849	2,943,581
Deposits and other receivables	279,193	152,343
	<u>5,935,042</u>	<u>3,095,924</u>

MODERN INTERNATIONAL (ASIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. CASH AND CASH EQUIVALENTS

	2014	2013
	<u>US\$</u>	<u>US\$</u>
Cash and bank balances	1,083,470	906,939
Less: Pledged bank deposits	(1,081,158)	(902,250)
	<u>2,312</u>	<u>4,689</u>
Bank overdraft	(91,622)	—
Cash and cash equivalents in the cash flow statement	<u>(89,310)</u>	<u>4,689</u>

The pledged bank deposits earn interest at 2.0% per annum. They are pledged to a bank for general banking facilities granted to the Company (note 16).

The carrying amounts of cash and bank balances include US\$2,007 (2013: US\$628) denominated in foreign currencies.

13. TRADE AND OTHER PAYABLES

	2014	2013
	<u>US\$</u>	<u>US\$</u>
Trade and bills payable	4,531,078	2,197,208
Other payables and accrued expenses	690,062	257,290
	<u>5,221,140</u>	<u>2,454,498</u>

14. AMOUNT DUE TO RELATED COMPANY

The amount due to a related company is unsecured, interest free and has no fixed terms of repayment.

15. SHARE CAPITAL

	2014	2013
	<u>US\$</u>	<u>US\$</u>
<u>Authorized and issued share capital:-</u>		
9,994,000 ordinary shares issued and fully paid	<u>1,280,000</u>	<u>1,280,000</u>

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

16. BANKING FACILITIES

The Company has general banking facilities available of US\$6 million approx (2013: US\$6 million approx). At 31 March 2014, the Company's banking facilities were utilized to the extent of US\$3,918,438 (2013: US\$1,843,328). These facilities are secured by the followings:-

- i. Fixed deposit provided by the Company (note 12); and
- ii. Corporate guarantee by the ultimate holding company.

17. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Company in the normal course of business, entered into the following material transactions:-

i. Transactions with key management personnel

The directors are the key management personnel of the Company, and their remuneration is disclosed in note 7.

ii. Transactions with related parties

Balances with related parties are disclosed in the statement of financial position and in notes 10 and 14.

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