

MODERN INTERNATIONAL (ASIA) LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

MODERN INTERNATIONAL (ASIA) LIMITED
FOR THE YEAR ENDED 31 MARCH 2016

<u>C O N T E N T S</u>	<u>Pages</u>
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 2016.

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 2016 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 2016 (2015: Nil).

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 were:

Vijay Kumar Mahabir Prasad Jatia
Sidhant Vijay Kumar Jatia
Vijay Kumar Puranmal Agarwal

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

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

PERMITTED INDEMNITY PROVISION

Article 34(1) of the Company's Articles provides that a director or former director of the Company may be indemnified out of the Company's assets against any liability incurred by the director to a person other than the Company or an associated company of the Company in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or associated company (as the case may be). This Article only applies if the indemnity does not cover the liability set out in Article 34(2) of the Company's Articles. This permitted indemnity provision is in force during the financial year and at the time of approval of this report.

DIRECTORS' INTERESTS

At no time during the financial year or at the end of the financial year was the Company or its parent company a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

In the opinion of the directors, no directors had material interests in those significant transactions, arrangements or contracts in relation to the Company's business entered into by the Company or its parent company in the financial year or subsisted at any time in the financial year.

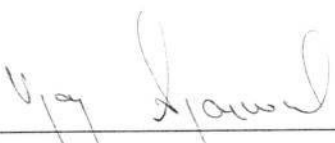
MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

AUDITORS

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

By order of the board



Vijay Kumar Puranmal Agarwal,
Director

China, 12 May 2016

Your Ref :

Our Ref :

Date : 12 May 2016

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
MODERN INTERNATIONAL (ASIA) LIMITED***(Incorporated in Hong Kong with limited liability)*

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 2016, 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 Hong Kong Financial Reporting Standards 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 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the 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 audit opinion.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
MODERN INTERNATIONAL (ASIA) LIMITED (CONTINUED)**
(Incorporated in Hong Kong with limited liability)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards for Private Entities and have been properly prepared in compliance with the Hong Kong Companies Ordinance.



VIGOR CPA LIMITED
Certified Public Accountants

Leung Wai Kim, Edmund
Practising Certificate No. P03194

Hong Kong, 12 May 2016

MODERN INTERNATIONAL (ASIA) LIMITED
STATEMENT OF COMPREHENSIVE INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 MARCH 2016


	Notes	2016 <u>US\$</u>	2015 <u>US\$</u>
Revenue	4	10,820,370	23,252,418
Cost of sales		(10,351,892)	(22,348,219)
Gross profit		468,478	904,199
Other gains and (losses)	5	9,875	10,895
Selling and distribution expenses		(253,704)	(423,315)
Other operating expenses		(137,247)	(308,194)
Profit before tax	6	87,402	183,585
Income tax	8	—	—
Profit for the year		87,402	183,585
Accumulated profits at start of year		652,046	468,461
Accumulated profits at end of year		<u>739,448</u>	<u>652,046</u>

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

MODERN INTERNATIONAL (ASIA) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

	Notes	2016 US\$	2015 US\$
Non-current assets			
Investment in associated company	9	—	36,834
Current assets			
Trade and other receivables	10	2,742,096	1,316,872
Cash and cash equivalents	11	1,798,271	1,240,779
		<u>4,540,367</u>	<u>2,557,651</u>
Current liabilities			
Trade and other payables	12	(2,328,367)	(591,998)
Amount due to associated company	13	—	(60,000)
Amounts due to related companies	14	(192,552)	(10,441)
		<u>(2,520,919)</u>	<u>(662,439)</u>
Net current assets		<u>2,019,448</u>	<u>1,895,212</u>
Net assets		<u>2,019,448</u>	<u>1,932,046</u>
Capital and reserves			
Share capital	15	1,280,000	1,280,000
Accumulated profits		739,448	652,046
Total equity		<u>2,019,448</u>	<u>1,932,046</u>

The financial statements were approved and authorized for issue by the board of directors on 12 May 2016


 Director, Vijay Kumar Puranmal Agarwal


 Director, Sidhant Vijay Kumar 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 2016

	Notes	2016 <u>US\$</u>	2015 <u>US\$</u>
Operating activities			
Profit before taxation		87,402	183,585
<u>Adjustments for :</u>			
- Impairment loss on associate		—	14,789
- Interest income		(10,806)	(10,709)
- Interest expense		122,468	269,996
- Loss on disposal of plant and equipment		—	1,529
- Loss on disposal of investment in associate		8,834	—
Operating profit before working capital changes		207,898	459,190
(Increase)/Decrease in trade and other receivables		(1,425,224)	4,618,170
Decrease/(Increase) in pledged bank deposits		125	(120,556)
Increase/(Decrease) in trade and other payables		1,736,369	(4,629,142)
(Decrease)/Increase in amount due to associated company		(60,000)	60,000
Increase in amounts due to related companies		182,111	—
Cash generated from operations		641,279	387,662
Interest paid		(122,468)	(269,996)
Net cash generated from operating activities		<u>518,811</u>	<u>117,666</u>
Investing activities			
Interest received		10,806	10,709
Proceeds from disposal of investment in associate		28,000	—
Net cash generated from investing activities		<u>38,806</u>	<u>10,709</u>
Net increase in cash and cash equivalents		557,617	128,375
Cash and cash equivalents at start of year		39,065	(89,310)
Cash and cash equivalents at end of year	11	<u>596,682</u>	<u>39,065</u>

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

MODERN INTERNATIONAL (ASIA) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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 comply with 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 ("US\$"), unless otherwise stated.

2.1 Investments in associates

Associates are all entities over which the Company has significant influence but not control. In general, if the Company holds, directly or indirectly, 20% or more of the voting power of the investee company, it is presumed that the Company has significant influence in the investee company unless it can be clearly demonstrated that it is not the case.

The Company accounts for the investments in associates other than those for which there is a published price quotation using cost model. Under cost model, investments in associates, other than those for which there is a published price quotation, are measured at initial recognition at transaction price (including transaction costs) and subsequently measured at cost less any accumulated impairment losses. Dividends and other distributions received from the associates are recognized in profit or loss when the Company's right to receive payment has been established.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.4 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 to customer 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.9 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

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.

4. REVENUE

This represents the Company's turnover, which comprises revenue from sales of goods net of discounts and returns.

5. OTHER GAINS AND (LOSSES)

	2016	2015
	<u>US\$</u>	<u>US\$</u>
Exchange gain	—	186
Interest income	10,806	10,709
Other income	7,903	—
Loss on disposal of investment in associate	(8,834)	—
	<u>9,875</u>	<u>10,895</u>

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

6. PROFIT BEFORE TAX

	2016	2015
	<u>US\$</u>	<u>US\$</u>
This is stated after charging: -		
Auditors' remuneration	4,420	4,420
Bank interest and charges	122,468	269,996
Commission paid	253,704	423,315
Exchange loss	369	—
Impairment loss on investment in associate	—	14,789
Loss on disposal of plant and equipment	—	1,529
	<u> </u>	<u> </u>

7. DIRECTORS' REMUNERATION

No directors received, or will receive, any fees or emoluments in respect of services to the Company during the year (2015: 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 (2015: Nil).

9. INVESTMENT IN ASSOCIATED COMPANY

	2016	2015
	<u>US\$</u>	<u>US\$</u>
Unlisted shares, at cost	36,834	51,623
Less: Provision for impairment loss	—	(14,789)
	<u> </u>	<u> </u>
	36,834	36,834
Less: Disposal of investment in associated company	(36,834)	—
	<u> </u>	<u> </u>
	—	36,834
	<u> </u>	<u> </u>

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

10. TRADE AND OTHER RECEIVABLES

	2016 US\$	2015 US\$
Trade receivables	2,104,272	839,410
Deposits and other receivables	637,824	477,462
	<u>2,742,096</u>	<u>1,316,872</u>

11. CASH AND CASH EQUIVALENTS

	2016 US\$	2015 US\$
Cash and bank balances	1,798,271	1,240,779
Less: Pledged bank deposits	(1,201,589)	(1,201,714)
Cash and cash equivalents in the cash flow statement	<u>596,682</u>	<u>39,065</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\$19 (2015: US\$2,716) denominated in foreign currencies.

12. TRADE AND OTHER PAYABLES

	2016 US\$	2015 US\$
Trade and bills payable	2,165,625	313,410
Other payables and accrued expenses	162,742	278,588
	<u>2,328,367</u>	<u>591,998</u>

13. AMOUNT DUE TO ASSOCIATED COMPANY

The amount due to associated company was unsecured, interest-free and has no fixed terms of repayment.

14. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest free and have no fixed terms of repayment.

15. SHARE CAPITAL

	2016	2015
	<u>US\$</u>	<u>US\$</u>
<u>Issued and fully paid:-</u>		
9,994,000 ordinary shares	1,280,000	1,280,000

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\$5.6 million (2015: US\$8 million). At 31 March 2016, the Company's banking facilities were utilized to the extent of US\$2,005,332 (2015: US\$256,818). These facilities are secured by the followings:-

- i. Fixed deposit provided by the Company (note 11); 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:

	2016	2015
	<u>US\$</u>	<u>US\$</u>
Commission paid/payable to associated company	180,000	240,000
Sale proceeds from a related company for disposal of investment in an associated company	28,000	—

Balances with related parties are disclosed in the statement of financial position and in notes 13 and 14.

*** ** ** ** **