

WUXI VEGA TRADE CO., LTD.
无锡唯铬嘉贸易有限公司
(incorporated in China with limited liability)

COMPANY FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020



華德會計師事務所

CW CPA Certified Public Accountants

W www.cwhkcpa.com | E cw@cwhkcpa.com

Wuxi Vega Trade Co., Ltd.
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 Financial statements for the year ended 31 March 2020


**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 RMB	2019 RMB
Turnover	2.2	23,249,678	22,059,679
Cost of sales		<u>(20,430,230)</u>	<u>(18,364,489)</u>
Gross profit		2,819,448	3,695,190
Other income	5	6,604	3,664
Selling and distribution costs		(1,544,214)	(1,953,049)
Administrative and other operating expenses		<u>(1,561,973)</u>	<u>(2,071,134)</u>
Loss before income tax	6	(280,135)	(325,329)
Income tax	7	<u>-</u>	<u>(4,683)</u>
Loss for the year		(280,135)	(330,012)
Other comprehensive income for the year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive loss for the year, net of tax		<u>(280,135)</u>	<u>(330,012)</u>

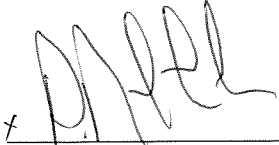
Wuxi Vega Trade Co., Ltd.
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**STATEMENT OF FINANCIAL POSITION
 AS AT 31 MARCH 2020**

	Note	2020 RMB	2019 RMB
ASSETS			
Non-current assets			
Plant and equipment	8	<u>6,723</u>	<u>9,298</u>
Current assets			
Inventories	9	5,365,829	594,026
Trade and other receivables	10	6,928,397	7,482,137
Cash and bank balances		<u>3,994,709</u>	<u>3,061,677</u>
		<u>16,288,935</u>	<u>11,137,840</u>
TOTAL ASSETS		<u>16,295,658</u>	<u>11,147,138</u>
EQUITY AND LIABILITIES			
Equity attributable to owners			
Capital contribution	11	1,915,998	1,915,998
(Accumulated losses) / Retained profits		<u>(51,879)</u>	<u>228,256</u>
		1,864,119	2,144,254
Current liabilities			
Trade and other payables	12	<u>14,431,539</u>	<u>9,002,884</u>
TOTAL EQUITY AND LIABILITIES		<u>16,295,658</u>	<u>11,147,138</u>



 R.A. Gilani
 Director



 P.R. Shah
 Director

Wuxi Vega Trade Co., Ltd.
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**STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 MARCH 2020**

	Capital contribution RMB	Retained Profits / (Accumulated losses) RMB	Total RMB
At 1 April 2018	1,915,998	558,268	2,474,266
Loss for the year	<u>-</u>	<u>(330,012)</u>	<u>(330,012)</u>
At 31 March 2019	<u>1,915,998</u>	<u>228,256</u>	<u>2,144,254</u>
At 1 April 2019	1,915,998	228,256	2,144,254
Loss for the year	<u>-</u>	<u>(280,135)</u>	<u>(280,135)</u>
At 31 March 2020	<u>1,915,998</u>	<u>(51,879)</u>	<u>1,864,119</u>

**STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED 31 MARCH 2020**

	2020 RMB	2019 RMB
Cash flows from operating activities		
Loss before income tax	(280,135)	(325,329)
Adjustments for :		
Claims paid	-	131,700
Depreciation	2,575	3,414
Interest income	(6,604)	(3,664)
	<u>(284,164)</u>	<u>(193,879)</u>
Operating loss before working capital changes		
Changes in working capital		
- Inventories	(4,771,803)	1,096,123
- Trade and other receivables	553,740	(733,428)
- Trade and other payables	5,428,655	423,144
	<u>926,428</u>	<u>591,960</u>
Income tax paid	-	(4,683)
Interest received	6,604	3,664
	<u>933,032</u>	<u>590,941</u>
Net cash generated from operating activities		
Cash flows from investing activities		
Purchase of plant and equipment	-	(5,960)
	<u>-</u>	<u>(5,960)</u>
Net cash used in investing activities		
Net increase in cash and cash equivalents	933,032	584,981
Cash and cash equivalents at the beginning of the year	3,061,677	2,476,696
Cash and cash equivalents at the end of the year	3,994,709	3,061,677
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>3,994,709</u>	<u>3,061,677</u>

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

- (a) Wuxi Vega Trade Co., Ltd (“the Company”) is engaged in trading of mining equipment and parts and provision of technical consultancy services.
- (b) The Company is incorporated in Wuxi, Jiangsu, China with limited liabilities. The address of its registered office is at Suite 1102, No.655, HuBin Road, BinHu District, Wuxi. The principal place of business is Suite 1001, No.655, HuBin Road, BinHu District, Wuxi.
- (c) These financial statements are presented in RMB.

2 PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of preparation and changes in accounting policies

The financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (IFRSs).

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires directors to exercise its judgement in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(a) *New and amended standards adopted by the Company*

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

IFRS 16, Leases

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“short-term leases”) and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 and are substantially unchanged.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 Basis of preparation and changes in accounting policies (continued)

(a) *New and amended standards adopted by the Company (continued)*

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Company has initially applied IFRS 16 as from 1 April 2019. The Company has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under IAS 17. Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use. The Company applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Company has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

The adoption of IFRS 16 has no significant impact on the Company.

(b) *Standards, amendments and interpretations to existing standards that are relevant to the Company but not yet effective and have not been early adopted by the Company*

Up to the date of this report, a number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2020, and have not been early adopted in preparing these financial statements. None of these will have material effect on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 Revenue recognition

(a) Revenue from contracts with customers

The recognition of revenue from contracts with customers is based on the performance obligations identified in the contracts. Revenue is recognized when the Company satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer who obtains the control of the asset.

Sales of goods are recognized when the Company has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(b) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

2.3 Plant and equipment

Plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the profit or loss during the financial year in which they are incurred.

Depreciation of plant and equipment is calculated using the straight-line method to allocate cost or revalued amounts to their residual values over their estimated useful lives, at the annual rate of 20%.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.4 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost, calculated on the first in first out basis, is based upon the invoiced value of the purchase amount. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.5 Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that assets may be impaired or an impairment charge previously recognized no longer exists or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs of disposal and value in use. An impairment charge is recognized in profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment charge is reversed if there has been a change in the estimates used to determine the recoverable amount and which results in an increase in the recoverable amount. A reversal of impairment charges is limited to the asset's carrying amount that would have been determined had no impairment charge been recognized in prior periods. Reversals of impairment charges are credited to profit or loss in the period in which the reversals are recognized.

2.6 Financial instruments

Financial assets and financial liabilities are recognized in the statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities within the scope of IFRS 9 are initially measured at fair value and transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The Company's financial assets, including receivables, time deposits and cash and cash equivalents, are subsequently measured at amortized cost using the effective interest method, less identified impairment charges (see note 2.9) as the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal account outstanding.

Financial liabilities include payables and accruals. All financial liabilities are subsequently measured at amortized cost using the effective interest method.

2.7 Trade and other receivables

A receivable is recognized when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognized before the Company has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortized cost using the effective interest method less allowance for the expected credit loss ("ECL").

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.8 Cash and cash equivalents

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

2.9 Impairment of financial assets

The Company recognizes loss allowances for ECL on the financial instruments that are not measured at fair value through profit or loss. The Company considers the probability of default upon initial recognition of financial assets and assesses whether there has been a significant increase in credit risk on an ongoing basis.

The Company considers the credit risk on a financial instrument is low if the financial instrument has a low risk of default, the debtor has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the debtor to fulfill its contractual cash flow obligations.

The carrying amount of the receivables is reduced through the use of the receivable impairment charges account. Changes in the carrying amount of the receivable impairment charges account are recognized in profit or loss. The receivable is written off against the receivable impairment charges account when the Company has no reasonable expectations of recovering the receivable.

If, in a subsequent period, the amount of ECL decreases, the reversal would be adjusted to the receivable impairment charges account at the reporting date. The amount of any reversal is recognized in profit or loss.

2.10 Trade and other payable

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost, except for interest-free loans from related parties without any fixed terms of repayment which are stated at cost.

2.11 Derecognition of financial assets and financial liabilities

Financial assets are derecognized when the contractual rights to receive the cash flows of the financial assets expire; or where the Company transfers the financial assets and either (i) it has transferred substantially all the risks and rewards of ownership of the financial assets; or (ii) it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial assets but has not retained control of the financial assets.

Financial liabilities are derecognized when they are extinguished, i.e. when the obligation is discharged, cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.12 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.13 Foreign currency translation

(a) 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”). The financial statements are presented in RMB, which is the Company’s functional and presentation currency.

(b) 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 retranslation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are not retranslated. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated using the foreign exchange rates ruling at the dates the fair value was determined. Exchange gains and losses are reported as part of the fair value gain or loss.

2.14 Leases

Right-of-assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying asset’s useful life. While the Company revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Company.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.14 Leases (continued)

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying assets and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Company did not need to make any adjustments in relation to the accounting for assets held as lessor as a result of adopting the new leasing standard.

Policy applicable prior to 1 April 2019

Leases of property, plant and equipment where the Company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalized at the lease's inception at the fair value of the leased property or, if lower, the present value of minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

2.15 Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The employees of the Company, which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government in Mainland China. The Company is required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Termination benefits are recognized when, and only when, the Company demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.16 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company operate and generate taxable income. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

2.17 Related parties

A related party is a person or entity that is related to the Company.

- (i) A person or a close member of that person's family is related to the Company if that person:
 - (a) has control or joint control over the Company;
 - (b) has significant influence over the Company; or
 - (c) is a member of the key management personnel of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

2.17 Related parties (continued)

- (ii) An entity is related to the Company if any of the following conditions applies:
 - (a) 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).
 - (b) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of group of which the other entity is a member).
 - (c) Both entities are joint ventures of the same third party.
 - (d) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (f) The entity is controlled or jointly controlled by a person identified in (i).
 - (g) A person identified in (i)(a) 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).
 - (h) The entity, or any member of a company of which it is a part, provides key management personnel services to the Company.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks : credit risk, liquidity risk and market risk (including currency risk and interest rate risk).

The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The Company's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Company maintains a defined credit policy for its trade customers and the credit terms given vary according to the business activities. The financial strength of and the length of business relationship with the customers, on an individual basis, are considered in arriving at the respective credit terms. Overdue balances are reviewed regularly by management.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Credit risk (continued)

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of the reporting period, the Company has a certain concentration of credit risk as 68% (2019 : 47%) of the total trade and other receivables was due from the Company's largest customer.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset, in the statement of financial position after deducing any impairment allowance. The Company does not provide any guarantees which would expose the Company to credit risk.

Further quantitative disclosures in respect of the Company's exposure to credit risk arising from trade and other receivables are set out in note 10.

(b) Liquidity risk

The Company is responsible for its own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Company's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Company's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Company can be required to pay :

	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB
<u>2020</u>			
Trade and other payables	<u>14,431,539</u>	<u>14,431,539</u>	<u>14,431,539</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Liquidity risk (continued)

<u>2019</u>	Carrying amount RMB	Total contractual undiscounted cash flow RMB	Within 1 year or on demand RMB
Trade and other payables	<u>9,002,884</u>	<u>9,002,884</u>	<u>9,002,884</u>

(c) Market risk

(i) Interest rate risk

As the Company has no significant interest-bearing assets and liabilities, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

(ii) Currency risk

The Company is exposed to currency risk primarily through purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The major currencies giving rise to this risk is United States dollars (US\$).

At 31 March 2020, if RMB had weakened / strengthened by 5% against US\$ with all other variables held constant, profit for the year would have been approximately RMB66,000 (2019 : RMB328,000) lower / higher, mainly as a result of foreign exchange gains / losses on translation of US\$ denominated trade payables and trade receivables.

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other shareholders, and to support the Company's stability and growth.

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital and shareholder returns, taking into consideration to ensure the future capital requirements of the Company and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Company will consider to provide shareholder with a dividends when there is sufficient surplus cash or cash equivalents.

The Company monitors capital by reviewing the level of capital that is at the disposal of the Company ("adjusted capital"). Adjusted capital comprises all components of shareholder's equity and accumulated losses (2019 : retained profits). The adjusted capital of the Company at 31 March 2020 was RMB1,864,119 (2019: RMB2,144,254). The decrease of capital was due to loss for the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair values and estimation of fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 March 2020 and 2019.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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.

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.

Impairment of trade and other receivables

The policy for impairment losses of other receivables of the Company is based on the expected credit loss. A considerable amount of judgement is required in assessing the ultimate realization of these receivables. If the financial conditions of trade and other receivables of the Company were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment losses may be required.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 OTHER INCOME

	2020 RMB	2019 RMB
Interest income	<u>6,604</u>	<u>3,664</u>

6 LOSS BEFORE INCOME TAX

	2020 RMB	2019 RMB
Loss before income tax is stated after (crediting) / charging the following :		
Auditor's remuneration		
- current year	77,000	116,596
- underprovision in prior years	18,100	10,944
	95,100	127,540
Cost of inventories sold	20,430,230	18,364,489
Depreciation	2,575	3,414
Net exchange loss	415,532	997,203
Operating leases in respect of rented premises	18,000	18,000
Staff costs (excluding directors' emoluments)		
- salaries	990,289	1,084,955
- pension costs	198,821	237,653
	<u>1,189,110</u>	<u>1,322,608</u>

7 INCOME TAX

- (a) Income tax has been provided at the rate of 25% (2019: 25%) on the estimated assessable profit for the year.
- (b) Reconciliation between the accounting loss at the applicable tax rate and the income tax is as follows:-

	2020 RMB	2019 RMB
Loss before income tax	<u>(280,135)</u>	<u>(325,329)</u>
Notional tax on loss before income tax calculated at tax rate of 25% (2019: 25%)	(70,034)	(81,332)
Tax effect on :		
- unrecognized temporary difference	70,034	86,015
	<u>-</u>	<u>4,683</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 PLANT AND EQUIPMENT

	Office equipment RMB
Cost	
At 1 April 2018	56,747
Additions	<u>5,960</u>
At 31 March 2019 and at 31 March 2020 <u>62,707</u>
Accumulated depreciation	
At 1 April 2018	49,995
Charge for the year	<u>3,414</u>
At 31 March 2019	53,409
Charge for the year	<u>2,575</u>
At 31 March 2020 <u>55,984</u>
Net book value	
At 31 March 2020	<u><u>6,723</u></u>
At 31 March 2019	<u><u>9,298</u></u>

9 INVENTORIES

	2020 RMB	2019 RMB
Merchandised goods	<u><u>5,365,829</u></u>	<u><u>594,026</u></u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 TRADE AND OTHER RECEIVABLES

	2020 RMB	2019 RMB
Trade receivables		
- immediate parent company	1,101,379	1,248,727
- others	<u>2,568,656</u>	<u>2,390,710</u>
	3,670,035	3,639,437
Bills receivable	2,620,000	3,827,700
Value added tax recoverable	470,029	-
Prepayment and deposits	<u>168,333</u>	<u>15,000</u>
	<u><u>6,928,397</u></u>	<u><u>7,482,137</u></u>

(a) Aging analysis

The amount of the Company's deposits and prepayments expected to be recovered or recognized as expense after more than one year is RMB3,000 (2019: RMB3,000). All of the other trade and other receivables, are expected to be recovered or recognized as expense within one period.

Trade receivables are due within 60 days from the date of billing. Further details on the Company's credit policy are set out in note 3.1(a).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Company is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivable directly. No impairment loss of trade receivables was provided as at 31 March 2020. (2019 : nil)

Trade receivables that were neither past due nor impaired related to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Company. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Company does not hold any collateral over these balances.

Wuxi Vega Trade Co., Ltd.
 (incorporated in China with limited liability)
 Financial statements for the year ended 31 March 2020

NOTES TO THE FINANCIAL STATEMENTS (continued)

11 CAPITAL CONTRIBUTION

	2020 RMB	2019 RMB
Registered and fully paid :		
US\$300,000	equivalent to <u>1,915,998</u>	<u>1,915,998</u>

12 TRADE AND OTHER PAYABLES

	2020 RMB	2019 RMB
Trade payables		
- immediate parent company	11,468,495	7,806,328
- ultimate parent company	<u>177,128</u>	<u>168,338</u>
	11,645,623	7,974,666
Receipts in advance	2,680,232	820,905
Value added tax payable	-	102,818
Other payables and accruals	<u>105,684</u>	<u>104,495</u>
	<u>14,431,539</u>	<u>9,002,884</u>

All of the trade and other payables are expected to be settled or recognized as income within one year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Company entered into the following material related party transactions :

	2020 RMB	2019 RMB
<u>Vega Industries (Middle East) F.Z.E</u> ("immediate parent company")		
- Purchases from	<u>23,941,931</u>	<u>16,446,042</u>
<u>AIA Engineering Limited</u> ("ultimate parent company")		
- Bank charges reimbursed by	<u>177,128</u>	<u>180,502</u>

14 ULTIMATE AND IMMEDIATE PARENT COMPANIES

The directors regard Vega Industries (Middle East) F.Z.E, a company incorporated in United Arab Emirates, as being the immediate parent company and AIA Engineering Limited, a company incorporated in United Arab Emirates, as being the ultimate parent company.

15 APPROVAL OF FINANCIAL STATEMENTS

The financial statements set out on pages 1 to 21 were approved and authorized for issue by the board of directors on

29 MAY 2020



Partners

黃華燊 執業會計師
 THOMAS W S WONG, FCPA (Practising)

蔡懿德 執業會計師
 ROSANNA Y T CHOI, FCPA (Practising)

**INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF
 WUXI VEGA TRADE CO., LTD.**

无锡唯铬嘉贸易有限公司
(incorporated in China with limited liability)

Opinion

We have audited the financial statements of Wuxi Vega Trade Co., Ltd (“the Company”) set out on pages 1 to 21, which comprise the statement of financial position as at 31 March 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Company’s financial reporting process.

● Hong Kong 香港

Suites 2111-13, 21/F, Prudential Tower,
 The Gateway, Harbour City,
 21 Canton Road, Tsimshatsui,
 Kowloon, Hong Kong
 香港九龍尖沙咀廣東道21號海港城
 英國保誠保險大樓21樓2111-13室
 Tel: +852 2956 3798

● Shenzhen 深圳

Room 5, 15/F, Yunsong Building,
 No. 8 Terra Road, Chegongmiao, Futian District,
 Shenzhen 518040, China
 深圳市福田區車公廟泰然八路
 雲松大廈15層05室
 郵編: 518040
 Tel: +86 (755) 8273 5001

● Guangzhou 廣州

Room 048, 11/F, International Finance Centre,
 No. 5 Zhujiang West Road, Tianhe District,
 Guangzhou 510000, China
 廣州市天河區林江西路5號
 國際金融中心11層048室
 郵編: 510000
 Tel: +86 (20) 8135 0412

● Shanghai 上海

Room 301, 3/F, Central Plaza,
 No. 227 North Huangpi Road, Huangpu District,
 Shanghai 200003, China
 上海市黃浦區黃陂北路227號
 中區廣場3層301室
 郵編: 200003
 Tel: +86 (21) 6375 6612

● Barcelona 巴塞隆納

c/o ILV Silver
 C/ Santaló 10, 1st
 08021 Barcelona
 Spain
 Tel: +34 911 436 488

● London 倫敦

35 Little Russell Street
 London, WC1A 2HH
 UK

● Bogotá 波哥大

Carrera 13 No. 75-22
 Of. 607 Bogotá,
 Colombia
 Tel: +57 1 3178360



華德會計師事務所

CW CPA Certified Public Accountants

W www.cwhkcpa.com | E cw@cwhkcpa.com

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS OF WUXI VEGA TRADE CO., LTD. (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

CW CPA

Certified Public Accountants

HONG KONG, 29 MAY 2020