

Report of the Directors
Audited Financial Statements
THRACE ASIA COMPANY LIMITED
For the year ended 31 December 2017



THRACE ASIA COMPANY LIMITED

REPORT OF THE DIRECTORS

The directors submit herewith the annual report and the audited financial statements for the year ended 31 December 2017.

Principal activities

Thrace Asia Company Limited ("the Company") is incorporated and domiciled in Hong Kong and has its registered office at D79, 1/F, Block 2, Camelpaint Building, 62 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong. The principal activities of the Company were trading of technical fabrics and provision of product sourcing service.

Results and appropriations

The results of the Company for the year ended 31 December 2017 and the Company's financial position as at 31 December 2017 are set out in the financial statements on pages 8 to 30.

Share capital and reserves

Details of movements in share capital of the Company during the year are set out in note 17 to the financial statements.

There were no movements in reserves except for changes to accumulated losses which arose from profit or loss.

Directors

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

Dimitrios MALAMOS
Dimitrios Georgios DAMIANOS
Athanasios DIMIOU
Georgios BRAIMIS

There being no provision in the Company's Articles of Association, all the directors shall remain in office.

Permitted indemnity provision

At no time during the financial year were there any permitted indemnity provisions in force for the benefit of one or more directors of the Company.

At the time of approval of this report, there are no permitted indemnity provisions in force for the benefit of one or more directors of the Company.

to be continued.....

THRACE ASIA COMPANY LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Continuation - 1 -

Business review

The Company is a wholly owned subsidiary of another body corporate. Accordingly, the Company is exempted from preparing a business review.

Directors' interest in contracts

Apart from the transactions disclosed in note 21 in the financial statements, no contract of significance in relation to the Company's business to which the Company, any of its holding companies or its subsidiary 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' rights to acquire shares and debentures

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

Equity-linked arrangements

During the financial year, the Company entered into no equity-linked agreement.

At the end of the financial year, the Company subsisted of no equity-linked agreement.

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.

Subsequent events

Details of significant events occurring after the end of reporting period are set out in note 23 to the financial statements.

to be continued.....

THRACE ASIA COMPANY LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Continuation - 2 -

Auditors

The financial statements have been audited by World Smart, Certified Public Accountants (Practising), who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Dimitrios MALAMOS

Chairman

Hong Kong, 25 October 2018

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF THRACE ASIA COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Thrace Asia Company Limited (the "Company") set out on pages 8 to 30, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and the 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 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HSAs") issued by HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 18 in the financial statements which indicates that the Company's total liabilities exceed its total assets by HK\$180,739 as at 31 December 2017. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

Other information

The directors are responsible for the other information. The other information comprises the information included in the report of the directors set out on pages 1 to 3 and detailed income statement of the Company set out on page 31 to 32 but does not include the financial statements and our auditor's report thereon.

to be continued.....

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF THRACE ASIA COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

Continuation - 4 -

Other information (continued)

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the 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 HKFRSs issued by the HKICPA 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.

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.

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. Our report is made solely to you, in accordance with sections 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 contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

to be continued.....

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF THRACE ASIA COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

Continuation - 5 -

Auditor's responsibilities for the audit of the financial statements (continued)

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

- Identify and assess the risks of material misstatement of the 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.

to be continued.....

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF THRACE ASIA COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

Continuation - 6 -

Auditor's responsibilities for the audit of the financial statements (continued)

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



World Smart
Certified Public Accountants (Practising)
Room A, 12/F., Legend Tower,
7 Shing Yip Street, Kwun Tong,
Kowloon, Hong Kong
25 October 2018

THRACE ASIA COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 HK\$	2016 HK\$
Turnover		-	-
Other income	6	1	1
Other (loss)/gain, net	7	(55,783)	6,397
Selling and distribution costs		(250,404)	(281,456)
Administrative expenses		<u>(83,222)</u>	<u>(53,794)</u>
Loss for the year	8	(389,408)	(328,852)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(389,408)</u>	<u>(328,852)</u>

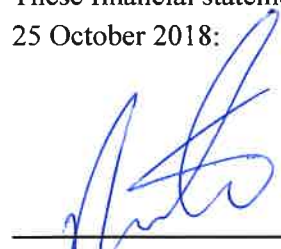
The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.


THRACE ASIA COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Notes	2017 HK\$	2016 HK\$
Non-current assets			
Investment in a subsidiary	12	852,500	852,500
Current assets			
Trade and other receivables	13	43,898	143,064
Cash and cash equivalents	14	22,100	279,081
		65,998	422,145
Current liabilities			
Trade and other payables	15	246,737	213,476
Amount due to a subsidiary	16	852,500	852,500
		1,099,237	1,065,976
Net current liabilities		(1,033,239)	(643,831)
Net (liabilities)/assets		(180,739)	208,669
Equity			
Share capital	17	5,603,287	5,603,287
Accumulated losses		(5,784,026)	(5,394,618)
		(180,739)	208,669

These financial statements were approved and authorised for issue by the Board of directors on 25 October 2018:


 Dimitrios Georgios DAMIANOS
 Director


 Dimitrios MALAMOS
 Director

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

THRACE ASIA COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital HK\$	Accumulated losses HK\$	Total HK\$
Balance as at 1 January 2016	4,997,384	(5,065,766)	(68,382)
Shares allotment	605,903	-	605,903
Total comprehensive loss for the year	<u>-</u>	<u>(328,852)</u>	<u>(328,852)</u>
Balance as at 31 December 2016 and balance as at 1 January 2017	5,603,287	(5,394,618)	208,669
Total comprehensive loss for the year	<u>-</u>	<u>(389,408)</u>	<u>(389,408)</u>
Balance as at 31 December 2017	<u><u>5,603,287</u></u>	<u><u>(5,784,026)</u></u>	<u><u>(180,739)</u></u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

THRACE ASIA COMPANY LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 HK\$	2016 HK\$
Operating activities			
Loss before taxation		(389,408)	(328,852)
Adjustments for:			
Bank interest income		(1)	(1)
Exchange difference		13,417	-
Forfeit of rental deposit		27,794	-
Bad debt written-off		57,955	-
Wavier of amount due to an intermediate		-	(8,287)
Operating loss before changes in working capital		(290,243)	(337,140)
Increase/(decrease) in trade and other payables		33,261	(8,824)
Net cash used in operating activities		(256,982)	(345,964)
Investing activities			
Interest received		1	1
Net cash generated from investing activities		1	1
Financing activity			
Proceeds from issuance of new ordinary shares		-	605,903
Net cash generated from financing activity		-	605,903
Net (decrease)/increase in cash and cash equivalents		(256,981)	259,940
Cash and cash equivalents at beginning of the year		279,081	19,141
Cash and cash equivalents at end of the year	14	22,100	279,081

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

1 GENERAL INFORMATION

THRACE ASIA COMPANY LIMITED (the “Company”) is a private company incorporated in Hong Kong with limited liability. The Company’s registered office is located at D79, 1/F, Block 2, Camelpaint Building, 62 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong. The Company was principally engaged in trading of technical fabrics and provision of product sourcing service.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which also include Hong Kong Accounting Standards (“HKAS”) and Interpretations (“Int”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

The Company is a wholly owned subsidiary of another body corporate and therefore, in accordance with section 379(3)(a) of the Hong Kong Companies Ordinance, is not required to prepare group financial statements.

For the purposes of compliance sections 380 and 381 of the Hong Kong Companies Ordinance, these financial statements have been prepared to present a true and fair view of the financial position and profit or loss of the Company only. Consequently, they have been prepared in accordance with all applicable HKFRSs and the requirements of the Hong Kong Companies Ordinance which apply to the preparation of separate unconsolidated financial statements.

In accordance with the criteria set out in paragraph 4(a) of HKFRS 10, Consolidated financial statements, the Company is exempted from the preparation of consolidated financial statements as Thrace Plastics Co. S.A., the ultimate parent of the Company produces consolidated financial statements in accordance with International Financial Reporting Standards (which are equivalent to HKFRSs in all material respects) which are available for public use. Thrace Plastics Co. S.A. is incorporated in Greece and its consolidated financial statements are available from www.thracegroup.gr. Consequently, the financial statements do not give all the information about the economic activities of the group of which the Company is the parent which would have been disclosed had the Company prepared consolidated financial statements.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Company for the current and prior accounting periods reflected in the financial statements.

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies adopted by the Company is set out below.

(a) Basis of preparation

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management 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 5.

The measurement basis used in the preparation of the financial statements is on the historical cost basis except for certain properties and financial instruments that are measured at revalued amount or fair values at the end of each reporting period, as explained in the accounting policies below.

The following are the specific accounting policies that are necessary for a proper understanding of the financial statements:

(b) Subsidiary

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Company has power, only substantive rights (held by the Company and other parties) are considered.

In the statement of financial position, the investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale). The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable.

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Subsidiary (continued)

The impairment loss is measured by comparing the recoverable amount of the investment (or cash-generated unit) as a whole with its carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the investment (or cash-generating unit) for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the investment (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the investment (or cash-generating unit) is reduced to the recoverable amount. An impairment loss is recognised immediately in profit or loss.

(c) Trade and other receivables

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less any impairment losses for bad and doubtful debts, except for the following receivables:

- interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any allowance for impairment of bad and doubtful debts; and
- short-term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any allowance for impairment of bad and doubtful debts.

At each financial year end date, the Company assesses whether there is any objective evidence that a receivable or group of receivables is impaired. Objective evidence of impairment includes observable data that comes to the attention of the Company about one or more of the following loss events:

- a significant financial difficulty of the debtors;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological market, economic or legal environment that have an adverse effect on the debtor.

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Trade and other receivables (continued)

Impairment losses on trade and other receivables are recognised in profit or loss when there is objective evidence that an impairment loss has been incurred and are measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition where the effect of discounting is material. The assessment is made collectively where the receivables carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for receivables which are assessed for impairment collectively are based on historical loss experience for receivables with credit risk characteristic similar to the collective group. The impairment loss is reversed, through profit or loss if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

Impairment losses recognised in respect of trade debtors and bills receivables included within trade and other receivables, whose recovery is considered doubtful but not remote are recorded using an allowance account. When the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of assets

(i) Impairment of investments in debt and equity securities and other receivables

Investment in debt and equity securities that are classified as available-for-sale financial assets and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each financial reporting date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.
- For trade and other current receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.
- If in a subsequent year the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each financial reporting date to identify indicators that investment in subsidiary may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. cash-generated unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generated units (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Trade and other payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost except for the following payables:

- interest-free loans made from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost; and
- short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount.

(g) Income tax

Income tax comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in other comprehensive income or in equity, in which case they are recognised in other comprehensive income or in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates (and laws) enacted or substantively enacted at the financial reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income tax (continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each statement of financial position date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either;
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Foreign currency translations

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. At each financial reporting date, monetary assets and liabilities in foreign currencies are translated at the foreign exchange rates ruling at that date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair value was determined. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(i) Operating lease

Where the Company has the use of assets held under operating leases, payments made under the leases are charged to profit and loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) Revenue recognition

Provided that it is probable that the economic benefits associated with the revenue transactions will flow to the Company and the revenue and the costs, if any, in respect of the transaction can be measured reliably.

Interest income is recognised on a time-proportion basis taking into account the principal outstanding and the effective rate of interest applicable.

(k) Provisions and contingent liabilities

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

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Provisions and contingent liabilities (continued)

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

(l) Related parties

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

- (i) a person or a close member of that person's family is related to the Company if that person:
 - (1) is a member of the key management personnel of the Company or of a parent of the Company;
 - (2) has control or joint control over the Company; or
 - (3) has significant influence over the reporting entity.
- (ii) An entity is related to the Company if any of the following conditions applies:
 - (1) 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).
 - (2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member.).
 - (3) both entities are joint venture of the same third entity.
 - (4) one entity is a joint venture of a third party and the other entity is an associate of the third party.
 - (5) 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 reporting entity.
 - (6) the entity is controlled or jointly controlled by a person identified in (i).
 - (7) the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.
 - (8) A person identified in (i)(2) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

4 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new HKFRSs and amendments to HKFRSs that are first effective for the current accounting year of the Company. Of these, the following development is relevant to the Company's financial statements:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvement 2014-2016 Cycle

Amendments to HKAS 7 require the Company to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes. Disclosure of the changes in liabilities arising from financing activities is provided in note 25 to the financial statements.

None of these developments have had a material effect on how the Company's results and financial position for the current or prior year have been prepared or presented.

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting year.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to 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 disclosed below.

(i) Income tax

The Company is subject to income taxes only in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(ii) Going concern basis

The financial statements have been prepared on a going concern basis, the validity of which depends upon the financial standing of the intermediate in continuing to finance the operations of the Company. The financial statements do not include any adjustments that would result from a failure to obtain such funding. Details of the circumstances leading to the adoption of the going concern basis are described in note 18 to the financial statements. The Company's management considers that the fundamental uncertainty has been adequately accounted for and appropriately disclosed in the financial statements.

6 OTHER INCOME

	2017 HK\$	2016 HK\$
Bank interest income	<u>1</u>	<u>1</u>

7 OTHER (LOSS)/GAIN, NET

	2017 HK\$	2016 HK\$
Bad debt written-off	(57,955)	-
Exchange gain/(loss), net	2,172	(1,890)
Wavier of amount due to an intermediate	<u>-</u>	<u>8,287</u>
	<u>(55,783)</u>	<u>6,397</u>

8 LOSS FOR THE YEAR

	2017 HK\$	2016 HK\$
Loss for the year is stated after charging the following:		
Staff costs - salaries and allowances	<u>207,850</u>	<u>225,000</u>

9 DIRECTORS' REMUNERATION

The directors do not receive any fees or emoluments in respect of the services to the Company for the year (2016: Nil).

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

10 AUDITORS' REMUNERATION

Auditors' remuneration for the year disclosed pursuant to Part 2 of Schedule 4 of the Hong Kong Companies Ordinance is as follow:

	2017 HK\$	2016 HK\$
Auditors' remuneration	<u>15,000</u>	<u>15,000</u>

11 TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company has sustained a tax loss for the year (2016: Nil).

The taxation on the Company's loss before taxation differs from the theoretical amount that would arise using the taxation rate applicable to the Company as follows:

	2017 HK\$	2016 HK\$
Loss before taxation	<u>(389,408)</u>	<u>(328,852)</u>
Calculated at the applicable tax rate of 16.5% (2016: 16.5%)	(64,252)	(54,260)
Tax effect of non-taxable income	-	(1,368)
Tax effect of non-deductible expenses	4,586	-
Tax effect of tax loss not recognised for the year	<u>59,666</u>	<u>55,628</u>
Taxation charge	<u>-</u>	<u>-</u>

In accordance with the accounting policy set out in note 3(g), the Company has not recognised deferred tax assets in respect of cumulative tax losses of HK\$5,755,234 (2016: HK\$5,393,619) as it is not probable that sufficient future taxable profits will be available to allow the related tax benefit to be utilised. The tax losses do not expire under current tax legislation. As at 31 December 2017 and 31 December 2016, the Company does not have any significant temporary differences.

12 INVESTMENT IN A SUBSIDIARY

	2017 HK\$	2016 HK\$
Unlisted investments, at cost	<u>852,500</u>	<u>852,500</u>

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

12 INVESTMENT IN A SUBSIDIARY (CONTINUED)

As at 31 December 2017, the Company had investment in the following subsidiary:

<u>Name of subsidiary</u>	<u>Place of establishment</u>	<u>Particulars of registered capital</u>	<u>Percentage of ownership interest</u>	<u>Principal activities</u>
祿祥（上海） 貿易有限公司	The People's Republic of China	US\$110,000	100%	Not yet commence business

13 TRADE AND OTHER RECEIVABLES

	2017 HK\$	2016 HK\$
Accounts receivable	-	68,466
Other receivables	43,898	30,700
Prepayment	-	43,898
	<u>43,898</u>	<u>143,064</u>

In the opinion of the directors, the other receivable balance is expected to be recovered or recognised as expense within one year.

14 CASH AND CASH EQUIVALENTS

	2017 HK\$	2016 HK\$
Cash at banks	<u>22,100</u>	<u>279,081</u>

15 TRADE AND OTHER PAYABLES

	2017 HK\$	2016 HK\$
Trade payables	124,271	124,271
Accruals and other payables	122,466	89,205
	<u>246,737</u>	<u>213,476</u>

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

16 AMOUNT DUE TO A SUBSIDIARY

The amount is unsecured, interest-free and has no fixed repayment term.

17 SHARE CAPITAL

	2017		2016	
	Number of shares	Amount HK\$	Number of shares	Amount HK\$
Ordinary shares, issued and fully paid:				
At 1 January	3,654,875	5,603,287	3,583,975	4,997,384
Allotment of new shares	-	-	70,900	605,903
At 31 December	<u>3,654,875</u>	<u>5,603,287</u>	<u>3,654,875</u>	<u>5,603,287</u>

18 FINANCIAL SUPPORT

The intermediate have given undertaking to provide financial support to the Company so as to enable the Company to continue its business and to meet its liabilities as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

19 FINANCIAL RISK MANAGEMENT

(a) Financial instruments

The Company has classified its financial assets in the following categories:

	2017 HK\$	2016 HK\$
Loans and receivables:		
Trade and other receivables	43,898	99,166
Cash at banks	<u>22,100</u>	<u>279,081</u>
	<u>65,998</u>	<u>378,247</u>

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

19 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial instruments (continued)

The Company has classified its financial liabilities in the following categories:

	2017 HK\$	2016 HK\$
Financial liabilities at amortised cost:		
Trade and other payables	246,737	213,476
Amount due to a subsidiary	852,500	852,500
	<u>1,099,237</u>	<u>1,065,976</u>

All the above financial instruments are carried at amounts not materially different from their fair value as at 31 December 2017 and 31 December 2016.

(b) Financial risk factors

The Company is exposed to credit risk, liquidity risk and market risk (including cash flow interest rate risk and currency risk) arising in the normal course of its business and financial instruments. The Company's risk management objectives, policies and processes focus mainly on minimising the potential adverse effect of these risks on its financial performance and position by closely monitoring the individual exposures.

(i) Credit risk

The Company's principal financial assets are trade and other receivables and cash at banks. The Company's maximum exposure to credit risk is represented by the carrying amount of these financial assets recognised at the financial reporting date.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Company does not obtain collateral from customers.

The credit risk on cash at banks is limited because the counterparty is an authorised financial institution listed in the Hong Kong Stock Exchange or regulated under the Hong Kong Banking Ordinance.

As at 31 December 2017 and at 31 December 2016, the Company has no concentration of credit risk.

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

19 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk factors (continued)

(ii) Liquidity risk

The management is responsible for its own cash management, to cover expected cash demands. 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 to meet its liquidity requirements in the short and longer term.

The contractual maturities of the Company's financial liabilities at the financial reporting date are all within one year or repayable on demand. The contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the financial reporting date) are the carrying amounts shown on the statement of financial position.

(iii) Market risk

(1) Cash flow interest rate risk

Except for cash at banks, the Company has no significant interest-bearing assets. The Company's income and operating cash flows are substantially independent of changes in market interest rates.

(2) Currency risk

The Company is not exposed to significant currency risks as most of the transactions are denominated in Hong Kong Dollars.

(c) Fair value estimation

The carrying values less allowance for impairment of the Company's current receivables and of current payables are reasonable approximation of their fair values. Estimated discounted cash flows in which any significant inputs is not based on observable market data are used to determine fair value for other financial instruments (i.e. Level 3 - lowest level).

All of the financial instruments are carried at amounts not materially different from their fair values as at 31 December 2017 and 31 December 2016.

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

20 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 can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Company manages the capital and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt. No change was made in the objectives, policies and processes during the year.

The Company is not subject to externally imposed capital requirements.

21 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Details of the Company's transactions with related parties during the year, together with balances with them as at 31 December 2017, are as follows:

	2017 HK\$	2016 HK\$
<u>Transactions with related party:</u>		
Intermediate (Thrace Nonwoven & Geosynthetics S.A.):		
Impairment of balance	57,955	-
Wavier of amount due to an intermediate	-	8,287
	<u>57,955</u>	<u>8,287</u>
	2017 HK\$	2016 HK\$
<u>Balances with related parties:</u>		
Intermediate (Thrace Nonwoven & Geosynthetics S.A.):		
Accounts receivable	-	68,466
Subsidiary (祿祥 (上海) 貿易有限公司):		
Balance due from the Company	<u>852,500</u>	<u>852,500</u>

The directors of the Company are of the opinion that the above transactions were entered into at normal commercial terms. The balances are unsecured, interest free and have no fixed repayment terms.

THRACE ASIA COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017

22 IMMEDIATE AND ULTIMATE HOLDING COMPANIES

The directors consider the immediate holding company and ultimate holding company at 31 December 2017 to be Saepe Limited and Thrace Plastics Co. S.A. which are incorporated in Cyprus and Greece respectively.

23 NON-ADJUSTING EVENTS AFTER THE END OF REPORTING PERIOD

On 1 March 2018, the issued share capital of the Company was increased to HK\$5,746,680 by the allotment of 15,000 new ordinary shares. On 20 April 2018, the issued share capital of the Company was increased to HK\$5,843,248 by the allotment of 10,000 new ordinary shares. Those new shares rank pari passu with the existing ordinary shares of the Company in all respects. The reason for this increase in issued share capital was to finance the operation of the Company.

24 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE CURRENT YEAR

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been early adopted in these financial statements.

The Company is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the year of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results and financial position.

25 NOTES TO STATEMENT OF CASH FLOW

There was no change in the Company's liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes for the year (2016: Nil).

THRACE ASIA COMPANY LIMITED**APPENDIX****DETAILED INCOME STATEMENT****FOR THE YEAR ENDED 31 DECEMBER 2017****(FOR MANAGEMENT INFORMATION PURPOSES ONLY)**

	2017 HK\$	2016 HK\$
TURNOVER	<u>-</u>	<u>-</u>
OTHER INCOME		
Bank interest income	<u>1</u>	<u>1</u>
OTHER (LOSS)/GAIN, NET		
Bad debt written-off	(57,955)	-
Exchange gain/(loss), net	2,172	(1,890)
Wavier of amount due to an intermediate	<u>-</u>	<u>8,287</u>
	<u>(55,783)</u>	<u>6,397</u>
Deduct:		
SELLING AND DISTRIBUTION COSTS		
Business trip	17,824	56,456
Exhibition	24,730	-
Salaries and allowances	<u>207,850</u>	<u>225,000</u>
	<u>250,404</u>	<u>281,456</u>
ADMINISTRATIVE EXPENSES		
Accountancy fee	36,928	34,875
Auditors' remuneration	15,000	15,000
Bank charges	945	1,659
Bank overdraft interest	-	10
Business registration fee	250	2,250
Forfeit of rental deposit	27,794	-
Secretarial fee	<u>2,305</u>	<u>-</u>
	<u>83,222</u>	<u>53,794</u>
LOSS FOR THE YEAR	<u>(389,408)</u>	<u>(328,852)</u>

to be continued.....

DETAILED INCOME STATEMENT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

(FOR MANAGEMENT INFORMATION PURPOSES ONLY)

Continuation - 31 -

Information required under section 436 of the Companies Ordinance:

The financial information relating to the year ended 31 December 2017 that is included in this detailed income statement are not the Company's statutory annual financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

As the Company is a private company, the Company is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

The Company's auditor has reported on those financial statements. The independent auditor's report was unqualified; included a reference to matters to which the independent auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).