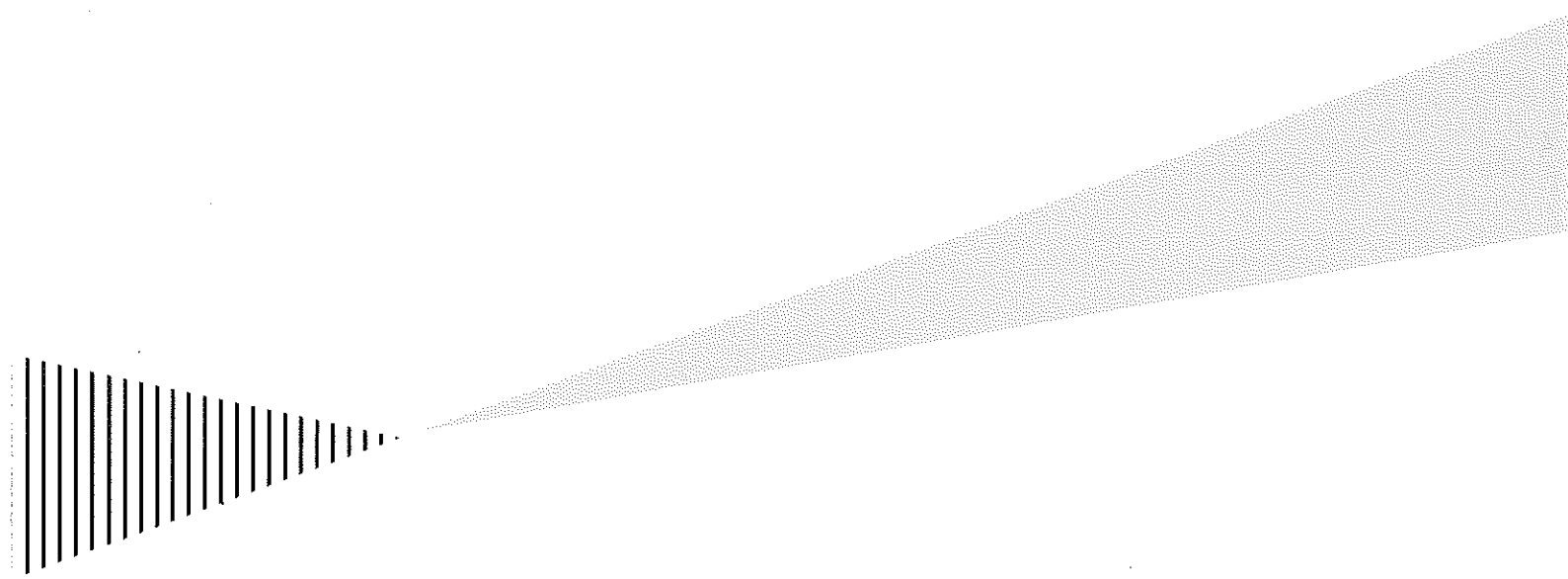


Report of the Directors and Audited Financial Statements

PEARL GLOBAL FAREAST LIMITED

31 March 2017



PEARL GLOBAL FAREAST LIMITED

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PEARL GLOBAL FAREAST LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2017.

Principal activity

The principal activity of the Company is the trading of garments. There was no significant change in the nature of the Company's principal activity during the year.

Results and dividends

The Company's profit for the year ended 31 March 2017 and its financial position at that date are set out in the financial statements on pages 5 to 25.

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

Directors

The directors of the Company during the year were:

Deepak Kumar Seth
Pulkit Seth
Sanjay Kumar Sarker

In accordance with the Company's articles of association, all directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Directors' interests

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

Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company or any of its holding companies or fellow subsidiaries was a party during the year.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

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Deepak Kumar Seth
Chairman

Hong Kong
26 May 2017

Independent auditor's report
To the member of Pearl Global Fareast Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Pearl Global Fareast Limited (the "Company") set out on pages 5 to 25, which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, the 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 March 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 ("HKSA") issued by the 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.

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the report of the directors.

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.

Independent auditor's report (continued)
To the member of Pearl Global Fareast Limited
(Incorporated in Hong Kong with limited liability)

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, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the 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.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism 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.

Independent auditor's report (continued)
To the member of Pearl Global Fareast Limited
(Incorporated in Hong Kong with limited liability)

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

We communicate with the board of 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.

A handwritten signature in black ink, consisting of a stylized 'e' followed by a large, loopy flourish that ends in a small 'v' shape.

Certified Public Accountants
Hong Kong
26 May 2017

PEARL GLOBAL FAREAST LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2017

	Notes	2017 HK\$	2016 HK\$
REVENUE	4	146,240,035	95,013,168
Cost of sales		(124,282,018)	(80,324,391)
Gross profit		21,958,017	14,688,777
Other income	4	2,057,743	4,994,866
Administrative expenses		(15,056,057)	(15,577,073)
Other operating expenses, net		(7,968)	(7,273)
Finance costs	6	(308,088)	(168,815)
PROFIT BEFORE TAX	5	8,643,647	3,930,482
Income tax expense	8	-	-
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>8,643,647</u>	<u>3,930,482</u>

PEARL GLOBAL FAREAST LIMITED

STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	2017 HK\$	2016 HK\$
NON-CURRENT ASSETS			
Property, plant and equipment	9	<u>2,045</u>	<u>5,978</u>
CURRENT ASSETS			
Trade receivables	10	30,294,125	14,790,648
Prepayments		11,316,510	11,300,349
Due from a director	12(c)	361,000	-
Due from a fellow subsidiary	12(b)	34,430,390	-
Cash and cash equivalents		<u>5,777,555</u>	<u>20,433,095</u>
Total current assets		<u>82,179,580</u>	<u>46,524,092</u>
CURRENT LIABILITIES			
Accruals		136,810	224,968
Due to the immediate holding company	12(b)	10,025,647	6,816,357
Due to fellow subsidiaries	12(b)	<u>20,045,191</u>	<u>11,718,415</u>
Total current liabilities		<u>30,207,648</u>	<u>18,759,740</u>
NET CURRENT ASSETS		<u>51,971,932</u>	<u>27,764,352</u>
Net assets		<u>51,973,977</u>	<u>27,770,330</u>
EQUITY			
Share capital	11	33,726,300	18,166,300
Retained profits		<u>18,247,677</u>	<u>9,604,030</u>
Total equity		<u>51,973,977</u>	<u>27,770,330</u>

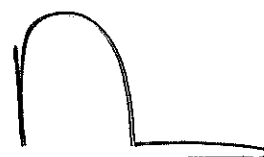
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Deepak Kumar Seth
Director

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Pulkit Seth
Director

PEARL GLOBAL FAREAST LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

	Note	Share capital HK\$	Retained profits HK\$	Total equity HK\$
At 1 April 2015		4,162,300	5,673,548	9,835,848
Capital contributions from the immediate holding company	11	14,004,000	-	14,004,000
Profit and total comprehensive income for the year		<u>-</u>	<u>3,930,482</u>	<u>3,930,482</u>
At 31 March 2016 and at 1 April 2016		18,166,300	9,604,030	27,770,330
Capital contributions from the immediate holding company	11	15,560,000	-	15,560,000
Profit and total comprehensive income for the year		<u>-</u>	<u>8,643,647</u>	<u>8,643,647</u>
At 31 March 2017		<u><u>33,726,300</u></u>	<u><u>18,247,677</u></u>	<u><u>51,973,977</u></u>

PEARL GLOBAL FAREAST LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	Notes	2017 HK\$	2016 HK\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		8,643,647	3,930,482
Adjustments for:			
Interest income	4	(103,267)	(20,262)
Depreciation	5	<u>3,933</u>	<u>3,934</u>
		8,544,313	3,914,154
Increase in trade receivables		(15,503,477)	(3,580,216)
Increase in prepayments		(377,161)	(8,941,996)
Decrease in accruals		(88,158)	(72,575)
Increase in an amount due to the immediate holding company		3,209,290	6,444,755
Changes in balances with fellow subsidiaries		<u>(26,103,614)</u>	<u>3,969,689</u>
Cash generated from/(used in) operations		(30,318,807)	1,733,811
Interest received		<u>103,267</u>	<u>20,262</u>
Net cash flows from/(used in) operating activities		(30,215,540)	1,754,073
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions from the immediate holding company		<u>15,560,000</u>	<u>14,004,000</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(14,655,540)	15,758,073
Cash and cash equivalents at beginning of year		<u>20,433,095</u>	<u>4,675,022</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u><u>5,777,555</u></u>	<u><u>20,433,095</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<u><u>5,777,555</u></u>	<u><u>20,433,095</u></u>

PEARL GLOBAL FAREAST LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2017

1. CORPORATE INFORMATION

Pearl Global Fareast Limited is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at Unit 801-3, 8/F, 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong.

During the year, the Company was engaged in the trading of garments.

The Company's immediate holding company is Pearl Global Industries Limited ("Pearl Global Industries"), a company incorporated in India with shares listed on the Bombay Stock Exchange and the National Stock Exchange in India. In the opinion of the directors, Pearl Global Industries is also the Company's ultimate holding company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention. The Company changed its functional currency from Hong Kong dollars ("HK\$") to United States dollar ("US\$") in the current year as the directors of the Company considered this would better reflect the primary economic environment that the Company operates to generate and expend cash.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Certain new and revised HKFRSs became effective for the first time during the current financial year but are not applicable to the Company, and accordingly, they have had no impact on the Company's financial statements for the year ended 31 March 2017.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 March 2017, in these financial statements. The Company is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

31 March 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

A party is considered to be related to the Company if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Company are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Company are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Impairment of non-financial assets

Where an indication of impairment exists or when annual impairment testing for an asset is required, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the year in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	25%
Office equipment	33 $\frac{1}{3}$ %
Computer equipment	33 $\frac{1}{3}$ %

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

31 March 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement of loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognised initially at fair value and, net of directly attributable transaction costs.

The Company's financial liabilities include accruals and amounts due to the immediate holding company and fellow subsidiaries.

Subsequent measurement of loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

31 March 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Company operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (b) interest income, on an accrual basis using the effective interest method.

Employee benefits

Retirement benefit costs

The Company operates a mandatory provident fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Company in an independently administered fund. The Company’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

31 March 2017

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

The Company's functional currency is US\$, which is different from its presentation currency. These financial statements are presented in HK\$ as the Company is incorporated and operates in Hong Kong and, in the opinion of the directors, the financial statements are more suitable to be presented in HK\$. Foreign currency transactions are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the dates when their fair values were measured.

As at the end of the reporting period, the assets and liabilities of the Company are translated into the presentation currency of the Company at the exchange rate prevailing at the end of the reporting period and the statement of profit or loss is translated into HK\$ at the weighted average exchange rate for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve.

For the purpose of the statement of cash flows, the cash flows of the Company are translated into HK\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company which arise throughout the year are translated into HK\$ at the weighted average exchange rate for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

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

Determination of functional currency

In determining the functional currency of the Company, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currency of the Company is determined based on management's assessment of the economic environment in which the Company operates and the Company's process of determining sales prices. Management has assessed that prices are mainly denominated and settled in US\$ and therefore, management concluded that the functional currency of the Company is US\$.

PEARL GLOBAL FAREAST LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2017

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Income tax and deferred tax

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Company carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Deferred tax assets relating to certain temporary differences and tax losses are recognised as management considers it probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact on the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed.

4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold.

An analysis of other income is as follows:

	2017 HK\$	2016 HK\$
Interest income	103,267	20,262
Compensation received	-	986,072
Discount claimed	1,954,476	3,988,532
	<u>2,057,743</u>	<u>4,994,866</u>

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5. PROFIT BEFORE TAX

The Company's profit before tax is arrived at after charging:

	2017 HK\$	2016 HK\$
Auditor's remuneration	102,000	98,070
Depreciation	3,933	3,934
Employee benefit expense (excluding directors' remuneration (note 7)):		
Salaries and allowances	1,021,100	1,161,937
Pension scheme contributions (defined contribution scheme)	36,960	39,725
	<u>1,058,060</u>	<u>1,201,662</u>
Foreign exchange differences, net*	<u>7,968</u>	<u>7,273</u>

* These amounts are included in "Other operating expenses, net" in the consolidated statement of profit or loss and other comprehensive income.

6. FINANCE COSTS

	2017 HK\$	2016 HK\$
Interest on an amount due to the immediate holding company	<u>308,088</u>	<u>168,815</u>

7. DIRECTORS' REMUNERATION

None of the directors received any fees or emoluments in respect of their services rendered to the Company during the year (2016: Nil).

PEARL GLOBAL FAREAST LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2017

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Company did not generate any assessable profits arising in Hong Kong during the year (2016: Nil).

A reconciliation of the tax charge applicable to profit before tax using the Hong Kong statutory rate of 16.5% (2016: 16.5%) to the tax amount at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2017		2016	
	HK\$	%	HK\$	%
Profit before tax	<u>8,643,647</u>		<u>3,930,482</u>	
Tax at the statutory tax rate	1,426,202	16.5	648,530	16.5
Income not subject to tax	<u>(1,426,202)</u>	<u>(16.5)</u>	<u>(648,530)</u>	<u>(16.5)</u>
Tax at the effective tax rate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There was no unprovided deferred tax in respect of the period and as at the end of the reporting period (2016: Nil).

PEARL GLOBAL FAREAST LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2017

9. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK\$	Office equipment HK\$	Computer equipment HK\$	Total HK\$
31 March 2017				
At 31 March 2016 and at 1 April 2016:				
Cost	95,661	23,311	43,790	162,762
Accumulated depreciation	(95,661)	(23,311)	(37,812)	(156,784)
Net carrying amount	<u>-</u>	<u>-</u>	<u>5,978</u>	<u>5,978</u>
At 1 April 2016, net of accumulated depreciation	-	-	5,978	5,978
Depreciation provided during the year	<u>-</u>	<u>-</u>	<u>(3,933)</u>	<u>(3,933)</u>
At 31 March 2017, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>2,045</u>	<u>2,045</u>
At 31 March 2017:				
Cost	95,661	23,311	43,790	162,762
Accumulated depreciation	(95,661)	(23,311)	(41,745)	(160,717)
Net carrying amount	<u>-</u>	<u>-</u>	<u>2,045</u>	<u>2,045</u>

PEARL GLOBAL FAREAST LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2017

9. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture and fixtures HK\$	Office equipment HK\$	Computer equipment HK\$	Total HK\$
31 March 2016				
At 1 April 2015:				
Cost	95,661	23,311	43,790	162,762
Accumulated depreciation	(95,661)	(23,311)	(33,878)	(152,850)
Net carrying amount	<u>-</u>	<u>-</u>	<u>9,912</u>	<u>9,912</u>
At 1 April 2015, net of accumulated depreciation	-	-	9,912	9,912
Depreciation provided during the year	<u>-</u>	<u>-</u>	<u>(3,934)</u>	<u>(3,934)</u>
At 31 March 2016, net of accumulated depreciation	<u>-</u>	<u>-</u>	<u>5,978</u>	<u>5,978</u>
At 31 March 2016:				
Cost	95,661	23,311	43,790	162,762
Accumulated depreciation	(95,661)	(23,311)	(37,812)	(156,784)
Net carrying amount	<u>-</u>	<u>-</u>	<u>5,978</u>	<u>5,978</u>

10. TRADE RECEIVABLES

The Company's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 60 days. The Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The aged analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

PEARL GLOBAL FAREAST LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2017

10. TRADE RECEIVABLES (continued)

	2017 HK\$	2016 HK\$
Neither past due nor impaired	29,850,629	14,790,648
Past due but not impaired:		
Less than one month	<u>443,496</u>	<u>-</u>
	<u>30,294,125</u>	<u>14,790,648</u>

Receivables that were neither past due nor impaired relate to a few customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to independent customers that have a good track record with the Company. The directors of the Company are of the opinion that no provision for impairment 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.

11. SHARE CAPITAL

	2017 HK\$	2016 HK\$
Issued and fully paid:		
535,000 (2016: 535,000) ordinary shares	<u>33,726,300</u>	<u>18,166,300</u>

During the year ended 31 March 2017, the Company's immediate holding company made capital contributions of HK\$15,560,000 (2016: HK\$14,004,000) to the Company. The purpose of the capital contributions was to provide additional working capital for the Company.

12. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had the following transactions with related parties during the year:

	2017 HK\$	2016 HK\$
Fellow subsidiaries:		
Discount claimed	1,954,476	3,988,532
Human resources support services provided	-	291,742
Purchases of goods	(112,273,171)	(78,044,170)
Sampling expenses paid	<u>-</u>	<u>(8,478)</u>

PEARL GLOBAL FAREAST LIMITED

NOTES TO FINANCIAL STATEMENTS

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12. RELATED PARTY TRANSACTIONS (continued)

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Company had the following transactions with related parties during the year: (continued)

Immediate holding company:

Human resources support services provided	-	692,080
Purchases of goods	(12,008,846)	(2,280,221)
Interest expense	(308,088)	(168,815)
Sampling expenses paid	(87,992)	(541,488)

- (b) Outstanding balances with related parties

Except for an amount of HK\$5,134,800 (2016: HK\$5,134,800) included in the amount due to the immediate holding company which is unsecured, bears interest at 6% per annum and has no fixed terms of repayment, the remaining amount due to the immediate holding company of HK\$4,890,847 (2016: HK\$1,681,557) is unsecured, interest-free and has no fixed terms of repayment.

The balances with fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

- (c) Particulars of an amount due from a director, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance, are as follows:

	31 March 2017 HK\$	Maximum amount outstanding during the year HK\$	1 April 2016 HK\$
Due from a director	<u>361,000</u>	361,000	<u>-</u>

- (d) Compensation of key management personnel of the Company represented directors' remuneration as disclosed in note 7 to the financial statements.

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13. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade receivables, amounts due from a fellow subsidiary and a director, and cash and cash equivalents which are categorised as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

The financial liabilities of the Company comprise accruals and amounts due to the immediate holding company and fellow subsidiaries, which are categorised as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the statement of financial position or in the corresponding notes to the financial statements.

14. FAIR VALUE

At the end of the reporting period, the carrying amounts of the Company's financial assets and financial liabilities approximated to their fair values.

The fair values of financial assets and liabilities are included at the amounts at which the instruments could be exchanged in current transactions between willing parties, other than in forced or liquidation sale transactions. The fair values of trade receivables, amounts due from a fellow subsidiary and a director, cash and cash equivalents, accruals and amounts due to the immediate holding company and fellow subsidiaries approximated to their carrying amounts largely due to the short term maturities of these instruments.

The Company did not have any financial assets and liabilities measured at fair value as at the end of each reporting period.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to credit risk and liquidity risk arises in the normal course of its business. These risks are managed by the Company's financial management policies and practices described below:

Credit risk

The carrying amounts of cash and cash equivalents, amounts due from a fellow subsidiary and a director, and trade receivables represent the Company's maximum exposure to credit risk in relation to financial assets. The Company's cash and cash equivalents are deposited with creditworthy banks with no recent history of default. The Company has policies in place to evaluate credit risk when accepting new businesses and to limit its credit exposure to individual customers. The maximum exposure for trade receivables is the carrying amount as disclosed in note 10 to the financial statements. At the end of the reporting period, 57% (2016: 65%) of the Company's trade receivables were due from the Company's top customer.

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15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

In the management of liquidity risk, the Company monitors and maintains a level of working capital deemed adequate, and maintains a balance between continuity and flexibility of funding from group companies.

The Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, either have no fixed terms of repayment or repayable within three months subsequent to the end of the reporting period.

Capital management

The primary objectives of the Company's capital management are to safeguard the Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise the shareholder's value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to its shareholder, return capital to the shareholder or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 31 March 2016.

16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 May 2017.

