

PEARL GLOBAL FAREAST LIMITED

REPORTS

AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

**LOUIS LAI & LUK CPA LIMITED
CERTIFIED PUBLIC ACCOUNTANTS**

PEARL GLOBAL FAREAST LIMITED

CONTENTS	PAGES
REPORT OF THE DIRECTORS	1 - 3
INDEPENDENT AUDITOR'S REPORT	4 - 7
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	8
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	9
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
CONSOLIDATED STATEMENT OF CASH FLOWS	11
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	12 - 49

PEARL GLOBAL FAREAST LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the annual audited consolidated financial statements of the Group for the year ended March 31, 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and garment trading. The principal activities of subsidiaries are set out in Note (20a) to the consolidated financial statements.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Company and its subsidiaries ("the Group") for the year ended March 31, 2021 and the financial position of the Group are set out in the consolidated financial statements on page 8 to 10.

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

PLANT AND EQUIPMENT

Details of movements in plant and equipment are set out in Note (10) to the consolidated financial statements.

SHARE CAPITAL

Details and movement of share capital of the Company are set out in Note (18) to the consolidated financial statements.

DIRECTORS

(a) Directors of the Company

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

Deepak Kumar SETH	
Pulkit SETH	
Sanjay Kumar SARKER	
Sumit LATH	(Appointed on July 15, 2020)
Sweta AGARWAL	(Resigned on July 15, 2020)

In accordance with Article 7 of the Company's Articles of Association, all the directors retire and, being eligible, offer themselves for re-election.

(b) Directors of the Company's subsidiaries

Deepak Kumar SETH
Sumit LATH

PEARL GLOBAL FAREAST LIMITED

REPORT OF THE DIRECTORS (CONT'D)

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for the related party transactions as disclosed in Note (23) to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company's ultimate holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors of the Company was in force during the year and up to date of this report.

BUSINESS REVIEW

No business review is presented as the Company has been able to claim an exemption under section 388(3) of the Hong Kong Companies Ordinance (Cap. 622) since the Company is a wholly owned subsidiary of another body corporate as at the end of reporting period.

PEARL GLOBAL FAREAST LIMITED

REPORT OF THE DIRECTORS (CONT'D)

AUDITORS

The Company's auditors, Messrs. Louis Lai & Luk CPA Limited, retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board



Deepak Kumar SETH
Chairman

Hong Kong, June 2, 2021.

LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

LUK KAR MAN CPA (PRACTISING) 陸嘉敏會計師

9/F., Surson Commercial Building,
140-142 Austin Road, Tsimshatsui,
Kowloon, Hong Kong.

Tel 電話: (852) 2314 3668
Fax 圖文傳真: (852) 2314 3113
E-mail: info@lll.com.hk
Web Site: www.lll.com.hk

香港九龍尖沙咀
柯士甸道140至142號
瑞信集團大廈九樓

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF
PEARL GLOBAL FAREAST LIMITED
(incorporated in Hong Kong with limited liability)**

Opinion

We have audited the consolidated financial statements of Pearl Global Fareast Limited and its subsidiaries ("the Group") set out on pages 8 to 49, which comprise the consolidated statement of financial position as at March 31, 2021 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2021, and of its consolidated financial performance and its consolidated 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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.

LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

LUK KAR MAN CPA (PRACTISING) 陸嘉敏會計師

9/F., Surson Commercial Building,
140-142 Austin Road, Tsimshatsui,
Kowloon, Hong Kong.

Tel 電話: (852) 2314 3668
Fax 圖文傳真: (852) 2314 3113
E-mail: info@lll.com.hk
Web Site: www.lll.com.hk

香港九龍尖沙咀
柯士甸道140至142號
瑞信集團大廈九樓

**INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBER OF
PEARL GLOBAL FAREAST LIMITED
(incorporated in Hong Kong with limited liability)**

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the directors' report but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

LUK KAR MAN CPA (PRACTISING) 陸嘉敏會計師

9/F., Surson Commercial Building,
140-142 Austin Road, Tsimshatsui,
Kowloon, Hong Kong.

Tel 電話: (852) 2314 3668
Fax 圖文傳真: (852) 2314 3113
E-mail: info@lll.com.hk
Web Site: www.lll.com.hk

香港九龍尖沙咀
柯士甸道140至142號
瑞信集團大廈九樓

**INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBER OF
PEARL GLOBAL FAREAST LIMITED
(incorporated in Hong Kong with limited liability)**

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap.622) 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

LUK KAR MAN CPA (PRACTISING) 陸嘉敏會計師

9/F., Surson Commercial Building,
140-142 Austin Road, Tsimshatsui,
Kowloon, Hong Kong.

Tel 電話: (852) 2314 3668
Fax 圖文傳真: (852) 2314 3113
E-mail: info@lll.com.hk
Web Site: www.lll.com.hk

香港九龍尖沙咀
柯士甸道140至142號
瑞信集團大廈九樓

**INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBER OF
PEARL GLOBAL FAREAST LIMITED
(incorporated in Hong Kong with limited liability)**

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Cont'd)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.



Louis Lai & Luk CPA Limited
Certified Public Accountants

Luk Wing Hay
Practising Certificate Number P01623

Hong Kong, June 2, 2021.

PEARL GLOBAL FAREAST LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED MARCH 31, 2021

	<u>NOTES</u>	<u>2021</u> US\$	<u>2020</u> (Restated) US\$
REVENUE	(5)	17,666,745	30,073,725
COST OF SALES		<u>(15,811,830)</u>	<u>(25,870,361)</u>
GROSS PROFIT		1,854,915	4,203,364
OTHER INCOME AND GAINS	(5)	139,001	107,977
STAFF COSTS		(59,988)	(83,623)
OTHER OPERATING EXPENSES		<u>(1,732,245)</u>	<u>(3,387,649)</u>
PROFIT FROM OPERATION		201,683	840,069
FINANCE COSTS	(6)	<u>(43,776)</u>	<u>(70,312)</u>
PROFIT BEFORE TAXATION	(7)	157,907	769,757
TAXATION	(9)	<u>-</u>	<u>-</u>
PROFIT FOR THE YEAR		157,907	769,757
OTHER COMPREHENSIVE INCOME/(LOSS)		<u>32,817</u>	<u>(54,020)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>190,724</u>	<u>715,737</u>

THE NOTES ON PAGES 12 TO 49 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

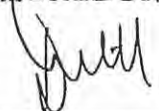
PEARL GLOBAL FAREAST LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021

	NOTES	3/31/2021 US\$	3/31/2020 (Restated) US\$
Non-Current Assets			
Plant and equipment	(10)	-	-
Financial assets at fair value through other comprehensive income	(11)	2,779,477	1,258,760
Loan receivables	(12)	1,882,850	1,864,250
		4,662,327	3,123,010
Current Assets			
Amounts due from fellow subsidiaries	(13)	4,517,927	4,696,229
Trade receivables	(14)	2,717,976	5,111,613
Cash and cash equivalents		1,401,434	2,036,663
		8,637,337	11,844,505
Current Liabilities			
Other payables and accruals		102,387	139,067
Bank borrowing	(15)	20,408	154,061
Amounts due to fellow subsidiaries	(16)	2,548,349	4,545,672
Amount due to holding company	(17)	928,275	913,275
		3,599,419	5,752,075
Net Current Assets		5,037,918	6,092,430
NET ASSETS		9,700,245	9,215,440
EQUITY			
Share capital	(18)	4,335,000	4,335,000
Merger reserve	(19)	(41,741)	(324,371)
Revaluation surplus		32,817	(71,877)
Retained earnings		5,374,169	5,276,688
TOTAL EQUITY		9,700,245	9,215,440

APPROVED BY THE BOARD OF DIRECTORS ON JUNE 2, 2021 AND SIGNED ON BEHALF OF THE BOARD BY:



 Deepak Kumar SETH
 Director



 Pulkit SETH
 Director

THE NOTES ON PAGES 12 TO 49 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

PEARL GLOBAL FAREAST LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2021

	Attributable to owner of the Company				Total
	Share capital	Merger reserve	Revaluation surplus	Retained earnings	
	US\$	US\$	US\$	US\$	US\$
At April 1, 2019					
- As previously reported	4,335,000	-	-	4,476,819	8,811,819
- Adjustments arising from adoption of merger accounting	-	(324,371)	(17,857)	30,112	(312,116)
As restated	4,335,000	(324,371)	(17,857)	4,506,931	8,499,703
Profit for the year (restated)	-	-	-	769,757	769,757
Other comprehensive loss for the year (restated)	-	-	(54,020)	-	(54,020)
At March 31, 2020 and April 1, 2020 (restated)	4,335,000	(324,371)	(71,877)	5,276,688	9,215,440
Effect on acquisition of subsidiaries under common control	-	282,630	71,877	(60,426)	294,081
Profit for the year	-	-	-	157,907	157,907
Other comprehensive income for the year	-	-	32,817	-	32,817
At March 31, 2021	4,335,000	(41,741)	32,817	5,374,169	9,700,245

The Group has restated the comparative information as a result of the business combination under common control as set out in Note 1 (b).

THE NOTES ON PAGES 12 TO 49 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

PEARL GLOBAL FAREAST LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2021

	2021	2020 (Restated)
	US\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	157,907	769,757
Adjustment for:		
Bank interest income	(5,056)	(19,647)
Interest income on financial assets at fair value through other comprehensive income	(80,632)	(45,499)
Interest income on loan receivables	(37,100)	-
Interest expenses	43,776	70,312
Operating profit before working capital changes	78,895	774,923
Decrease in loan receivables	18,500	36,998
Decrease in trade receivables	2,393,637	1,811,745
Net payments to fellow subsidiaries	(2,124,077)	(3,362,132)
Net receipts from/(payments to) holding company	15,000	(25,754)
Decrease in other payables and accruals	(36,680)	(125,409)
Cash generated from/(used in) operation	345,275	(889,629)
Bank interest received	5,056	19,647
Interest paid	(43,776)	(70,312)
Net cash generated from/(used in) operating activities	306,555	(940,294)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid to acquire financial assets at fair value through other comprehensive income	(2,168,769)	-
Interest received from financial assets at fair value through other comprehensive income	80,632	45,499
Proceeds from disposal of financial assets at fair value through other comprehensive income	1,280,006	584,981
Net cash (used in)/generated from investing activities	(808,131)	630,480
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	(35,532,617)	-
Inception of bank loans	35,398,964	154,061
Net cash flow generated from financing activities	(133,653)	154,061
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(635,229)	(155,753)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2,036,663	2,192,416
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	1,401,434	2,036,663

THE NOTES ON PAGES 12 TO 49 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Pearl Global Fareast Limited (“the Company”) is a company incorporated in Hong Kong with limited liability. The principal activities of the Company are investment holding and garment trading. The address of its registered office is Room 1801, 18/F., Kimberland Centre, No. 55 Wing Hong Street, Cheung Sha Wan, Kowloon. The principal activities of the subsidiaries are set out in Note (20a). The directors consider that the immediate holding company and ultimate holding company is Pearl Global Industries Limited, a company incorporated in India. The shares of the immediate holding company and ultimate holding company are listed on the Bombay Stock Exchange and National Stock Exchange in India.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

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

The consolidated financial statements have been prepared under the historical cost convention and are presented in United States Dollars (US\$), which is also the Group’s functional and presentation currency.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note (4) to the consolidated financial statements.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Merger Accounting and Restatements

On June 1, 2020 and November 1, 2020, the Company entered into a sale and purchases agreement to acquire the entire issued share capital of Pearl Global F.Z.E. and A&B Investment Limited from Pearl Global (HK) Limited, for a consideration of US\$1,206,874 and US\$1,212,725 respectively. Pearl Global (HK) Limited is a fellow subsidiary of the Company, which is under common control of Pearl Global Industries Limited.

Accordingly, the acquisition is treated as a combination of business under common control, and Accounting Guideline 5 ("AG5"), Merger Accounting for Common Control Combinations, issued by HKICPA has been applied. The consolidated financial statements of the Group have been therefore prepared using the merger basis of accounting as if the current group structure had been in existence throughout the periods presented. The net assets of the companies comprising the Pearl Global F.Z.E. and A&B Investment Limited have been consolidated using the existing book values from the perspective of Pearl Global Industries Limited. Comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the beginning of the comparative period unless the combining entities or business first came under common control at a later date.

The consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income include the results of combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination. The consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income also take into account the profit or loss attributable to the non-controlling interest recorded in the consolidated financial statements of the controlling party. The effects of all transactions between the combining entities or businesses, whether occurring before or after the common combination, are eliminated.

A uniform set of accounting policies is adopted when preparing the consolidated financial statements.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Merger Accounting and Restatements

- (i) The effects of the application of merger accounting on the consolidated statement of profit or loss and other comprehensive income for the year ended March 31, 2020 are as follows:

	For the year ended March 31, 2020, as previously reported	Effect of business combination under common control of the Acquired Group	For the year ended March 31, 2020, as restated
	US\$	US\$	US\$
SALES	30,073,725	-	30,073,725
COST OF SALES	<u>(25,870,361)</u>	<u>-</u>	<u>(25,870,361)</u>
GROSS PROFIT	4,203,364	-	4,203,364
OTHER INCOME AND GAINS	<u>57,912</u>	<u>50,065</u>	<u>107,977</u>
	4,261,276	50,065	4,311,341
STAFF COSTS	(83,623)	-	(83,623)
OTHER OPERATING EXPENSES	<u>(3,370,844)</u>	<u>(16,805)</u>	<u>(3,387,649)</u>
PROFIT FROM OPERATION	806,809	33,260	840,069
FINANCE COSTS	<u>(67,366)</u>	<u>(2,946)</u>	<u>(70,312)</u>
PROFIT BEFORE TAXATION	739,443	30,314	769,757
TAXATION	<u>-</u>	<u>-</u>	<u>-</u>
PROFIT FOR THE YEAR	739,443	30,314	769,757
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>54,020</u>	<u>54,020</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>739,443</u>	<u>84,334</u>	<u>823,777</u>

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Merger Accounting and Restatements

- (ii) The effect of the application of merger accounting on the consolidated statement of financial position as at April 1, 2019 are as follows:

	As at April 1, 2019 as previously reported	Effect of business combination under common control	Adjustments for the combination using merger accounting	As at April 1, 2019 as restated
	US\$	US\$	US\$	US\$
Non-Current Assets				
Plant and equipment	-	-	-	-
Financial assets at fair value through other comprehensive income	-	1,897,761	-	1,897,761
	-	1,897,761	-	1,897,761
Current Assets				
Loan receivable	1,901,248	-	-	1,901,248
Amounts due from fellow subsidiaries	4,932,500	-	(2,419,599)	2,512,901
Trade receivables	6,923,358	-	-	6,923,358
Cash and cash equivalents	1,982,694	209,722	-	2,192,416
	15,739,800	209,722	(2,419,599)	13,529,923
Current Liabilities				
Other payables and accruals	264,476	-	-	264,476
Bank borrowing	-	-	-	-
Amounts due to fellow subsidiaries	5,724,476	-	-	5,724,476
Amount due to holding company	939,029	-	-	939,029
	6,927,981	-	-	6,927,981
Net Current Assets/(Liabilities)	<u>8,811,819</u>	<u>209,722</u>	<u>(2,419,599)</u>	<u>6,601,942</u>
NET ASSETS/(LIABILITIES)	<u>8,811,819</u>	<u>2,107,483</u>	<u>(2,419,599)</u>	<u>8,499,703</u>
EQUITY/(DEFICIT)				
Share capital	4,335,000	2,204,599	(2,204,599)	4,335,000
Merger reserve	-	-	(324,371)	(324,371)
Revaluation surplus	-	(102,239)	84,382	(17,857)
Retained earnings	<u>4,476,819</u>	<u>5,123</u>	<u>24,989</u>	<u>4,506,931</u>
TOTAL EQUITY/(DEFICIT)	<u>8,811,819</u>	<u>2,107,483</u>	<u>(2,419,599)</u>	<u>8,499,703</u>

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Merger Accounting and Restatements

(iii) The effect of the application of merger accounting on the consolidated statement of financial position as at March 31, 2020 are as follows:

	For the year ended March 31, 2020, as previously reported	Effect of business combination under common control	Adjustments for the combination using merger accounting	For the year ended March 31, 2020, as restated
	US\$	US\$	US\$	US\$
Non-Current Assets				
Plant and equipment	-	-	-	-
Financial assets at fair value through other comprehensive income	-	1,258,760	-	1,258,760
Loan receivable	1,864,250	-	-	1,864,250
	1,864,250	1,258,760	-	3,123,010
Current Assets				
Amounts due from fellow subsidiaries	7,115,828	-	(2,419,599)	4,696,229
Trade receivables	5,111,613	-	-	5,111,613
Cash and cash equivalents	842,585	1,194,078	-	2,036,663
	13,070,026	1,194,078	(2,419,599)	11,844,505
Current Liabilities				
Other payables and accruals	139,067	-	-	139,067
Bank borrowing	-	154,061	-	154,061
Amounts due to fellow subsidiaries	4,330,672	215,000	-	4,545,672
Amount due to holding company	913,275	-	-	913,275
	5,383,014	369,061	-	5,752,075
Net Current Assets/(Liabilities)	<u>7,687,012</u>	<u>825,017</u>	<u>(2,419,599)</u>	<u>6,092,430</u>
NET ASSETS/(LIABILITIES)	<u>9,551,262</u>	<u>2,083,777</u>	<u>(2,419,599)</u>	<u>9,215,440</u>
EQUITY/(DEFICIT)				
Share capital	4,335,000	2,204,599	(2,204,599)	4,335,000
Merger reserve	-	-	(324,371)	(324,371)
Revaluation surplus	-	(156,258)	84,381	(71,877)
Retained earnings	<u>5,216,262</u>	<u>35,436</u>	<u>24,990</u>	<u>5,276,688</u>
TOTAL EQUITY/(DEFICIT)	<u>9,551,262</u>	<u>2,083,777</u>	<u>(2,419,599)</u>	<u>9,215,440</u>

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

b. Merger Accounting and Restatements

- (iv) The effect of the application of merger accounting on the consolidated statement of cash flow for the year ended March 31, 2020 are as follows:

	For the year ended March 31, 2020, as previously reported	Effect of business combination under common control	For the year ended March 31, 2020, as restated
	US\$	US\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation	739,443	30,314	769,757
Adjustment for:			
Bank interest income	(19,647)	-	(19,647)
Interest income on financial assets at fair value through other comprehensive income	-	(45,499)	(45,499)
Interest income on loan receivables	-	-	-
Interest expenses	67,366	2,946	70,312
Operating profit/(loss) before working capital changes	787,162	(12,239)	774,923
Decrease in loan receivables	36,998	-	36,998
Decrease in trade receivables	1,811,745	-	1,811,745
Net (payment to)/receipt from fellow subsidiaries	(3,577,132)	215,000	(3,362,132)
Net payment to holding company	(25,754)	-	(25,754)
Increase in other payables and accruals	(125,409)	-	(125,409)
Cash (used in)/generated from operations	(1,092,390)	202,761	(889,629)
Bank interest received	19,647	-	19,647
Interest paid	(67,366)	(2,946)	(70,312)
Net cash (used in)/generated from operating activities	(1,140,109)	199,815	(940,294)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash paid to acquire a subsidiary	-	-	-
Cash paid to acquire financial assets at fair value through other comprehensive income	-	-	-
Interest received from financial assets at fair value through other comprehensive income	-	45,499	45,499
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	584,981	584,981
Net cash generated from investing activities	-	630,480	630,480
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans	-	-	-
Inception of bank loans	-	154,061	154,061
Net cash flow generated from financing activities	-	154,061	154,061
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,140,109)	984,356	(155,753)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,982,694	209,722	2,192,416
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	842,585	1,194,078	2,036,663

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

c. Changes in Accounting Policies and Disclosures

In the current year, the Company has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the financial statements:

- (i) Amendments to HKAS 1 and HKAS 8, Definition of Material
- (ii) Amendments to HKFRS 3, Definition of a Business
- (iii) Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Company's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

d. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to March 31, 2021. Subsidiary is an entity over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiary is consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balance and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary have been changes where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

d. Basis of Consolidation (Cont'd)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the shareholders of the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of the controlling and non-controlling interests within consolidated equity to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received recognised directly in equity and attributed to the owners of the Company.

In the Company's statements of financial position, the investment in subsidiaries is stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

e. Plant and Equipment

An item of plant and equipment is stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of 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 the statement of profit or loss and other comprehensive income 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 plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of plant and equipment to its residual value over its estimated useful life, as follows:

Furniture and fixtures	25%
Office equipment	33 1/3%
Computer equipment	33 1/3%

An item of plant and equipment and 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 arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Impairment of Non-Financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets), 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 the statement of profit or loss and other comprehensive income in the period 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 other than goodwill 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/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss and other comprehensive income in the period in which it arises, (only if there are revalued assets in the consolidated financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

g. Financial Instruments

(i) Financial assets

Financial assets of the Group are classified, at initial recognition, as subsequently measured at amortised cost or fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

g. Financial Instruments

(i) Financial assets (Cont'd)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group 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.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

Financial assets at fair value through other comprehensive income (debt instruments)
For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

g. Financial Instruments

(i) Financial assets (Cont'd)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss and other comprehensive income. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

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 Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

g. Financial Instruments (Cont'd)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECLs") on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases:

- (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and
- (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

g. Financial Instruments (Cont'd)

(ii) Impairment loss on financial assets (cont'd)

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group are loans and borrowings. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities at amortised cost (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 the statement of profit or loss and other comprehensive income 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 the statement of profit or loss and other comprehensive income.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

g. Financial Instruments (Cont'd)

(iii) Financial liabilities (cont'd)

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 the statement of profit or loss and other comprehensive income.

(iv) 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.

h. Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. 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 cash flow statement.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Revenue Recognition

(i) Revenue from contract with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Company's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Company performs; or
- does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Revenue Recognition (Cont'd)

(i) Revenue from contract with customers (cont'd)

A contract asset represents the Company's right to consideration in exchange for services that the Company has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Company's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Company's obligation to transfer services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

(ii) Sales of goods

Revenue from sales of goods is recognised when the customers have obtained control of the goods, being when the goods are delivered to the respective customers' specific locations and have been accepted by the customers, and the corresponding trade receivable are recognised as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. There is generally only one performance obligation.

(iii) Revenue from other sources

- Interest income from bank deposit is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Claims and recovery is recognised when the Group is entitled to the income.
- Other income is recognised on a receipt basis.
- Sampling income is recognised when samples are delivered to buyers.

j. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable and deductible.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

j. Taxation (Cont'd)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of specific assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

k. Employee Benefits

Employee benefits are all forms of considerations, including wages, salaries, allowances and contribution to retirement benefit scheme payable by the Group in exchange for services rendered by its employees and directors. The employee benefits are classified as staff costs and charged to the statement of profit or loss and other comprehensive income.

No provision on employees' entitlements to unconsumed annual leaves as of the end of reporting period is provided in the financial statement as such leaves are not permitted to be carried forward and utilized by the respective employees in the following year. Sick leave and maternity leave are recognised until the time of leave.

l. Borrowing Costs

Interest and other borrowing costs incurred in connection with the borrowing of funds are recognised as expenses in the period in which they are incurred.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

m. Translation of Foreign Currency

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United States Dollars ("US\$"), which is the Group's functional and presentation currency.

(ii) Transactions and balances

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

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the exchange rate adopted by the directors which is closely commensurate with the prevailing year-end exchange rates at the date of that statement of financial position;
- (ii) income and expenses for each income statement are translated at the exchange rate adopted by the directors which is closely commensurate with the prevailing average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income as part of the gain or loss on sale.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

n. Related Parties

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

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or a parent of the Group.

(B) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) 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).
- (iii) Both entities 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 Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependants of that person or that person's spouse or domestic partner.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

- (i) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;
- (ii) To support the Group's stability and growth; and
- (iii) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes in the objectives, policies or processes for managing capital were made during the years ended March 31, 2021 and March 31, 2020.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

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

Revenue from contracts with customers

The Group assesses its revenue arrangements against specific criteria, i.e. whether it has exposure to the significant risks and rewards associated with the sale of goods & rendering of services, in order to determine if it is acting as a principal or as an agent. The Group has concluded that it is operating on a principal to principal basis in all its revenue arrangements.

The Group applies judgement to determine whether each product or service promised to a customer are capable of being distinct, and are distinct in the context of contract, if not the promised services are combined and accounted as a single performance obligation.

For performance obligation where control is transferred over the time, revenues are recognised by measuring progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the promised service to be rendered.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

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.

Provision for expected credit loss on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix calculates ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

Depreciation on plant and equipment

Depreciation on the Group's plant and equipment is calculated using the straight-line method to allocate cost up to residual values over the estimated useful lives of the assets. Management reviews the useful lives and residual values periodically to ensure that the method and rate of depreciation are consistent with the expected pattern of realisation of economic benefits rates of depreciation are consistent with the expected pattern of realization of economic benefits from plant and equipment. The accounting estimate of the useful lives of plant and equipment is based on historical experience, taking into account anticipated technological changes.

5. REVENUE, OTHER INCOME AND GAINS

	<u>2021</u>	<u>2020</u>
	US\$	(Restated) US\$
<u>Revenue</u>		
Sales	17,666,745	30,073,725
	-----	-----
<u>Other income and gains</u>		
Anti-epidemic grant	13,882	-
Bank interest income (SCH 1)	5,056	19,647
Foreign exchange gains, net	-	5,629
Interest income on loan receivables	37,100	37,202
Interest on investment	80,631	45,499
Sundry income	2,332	-
	-----	-----
	139,001	107,977
	-----	-----
	17,805,746	30,181,702
	=====	=====

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCE COSTS

	<u>2021</u>	<u>2020</u>
	US\$	(Restated) US\$
Bank loan interest expenses	876	-
Other loan interest expenses	<u>42,900</u>	<u>70,312</u>
	<u>43,776</u>	<u>70,312</u>

7. PROFIT BEFORE TAXATION

	<u>2021</u>	<u>2020</u>
	US\$	(Restated) US\$
Profit before taxation is stated after chargin/(creditng):		
Auditor's remuneration	8,521	10,652
Foreign exchange gains, net	-	(1,063)
Staff cost (including directors' remuneration)		
- Salaries and allowance	54,632	78,650
- Mandatory provident fund contribution	2,718	3,707
- Staff welfare	1,839	1,266
- Leave encashment	<u>799</u>	<u>-</u>

8. DIRECTORS' REMUNERATION

No fees or other emoluments were paid or payable to the directors during the year (2020: Nil).

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. TAXATION

- a. Hong Kong profits tax has not been provided since the Company has no assessable profit for the year. Income tax of subsidiaries has been provided at the prevailing rate of the countries in which the subsidiaries operates.

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Hong Kong Profits tax:		
Current year	-	-
	=====	=====

The tax charge for the year can be reconciled to the profit per consolidated statement of profit or loss and other comprehensive income as follows:

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Profit before taxation	157,907	769,757
	=====	=====
Tax at the domestic income tax rate	13,551	127,010
Tax effect of expenses that are not deductible	154	-
Tax effect of income that are not taxable	(3,125)	(3,242)
Deemed income subject to overseas taxation	<u>(10,580)</u>	<u>(123,768)</u>
Taxation expense for the year	-	-
	=====	=====

- b. No deferred tax has been recognised in the financial statements on the grounds that the Group has no taxable/deductible temporary differences during the current and prior year.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PLANT AND EQUIPMENT

	<u>Furniture and Fixtures</u>	<u>Office equipment</u>	<u>Compute equipment</u>	<u>Total</u>
	US\$	US\$	US\$	US\$
<u>Cost</u>				
At 1/4/2019 , 31/3/2020 , 1/4/2020 and 31/3/2021	12,296	2,996	5,629	20,921
<u>Accumulated Depreciation</u>				
At 1/4/2019 , 31/3/2020 , 1/4/2020 and 31/3/2021	<u>12,296</u>	<u>2,996</u>	<u>5,629</u>	<u>20,921</u>
<u>Net Carrying Amount</u>				
At 31/3/2020 and 31/3/2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Units in money market funds, at fair value	131,054	-
Debt investment, at fair value	<u>2,648,423</u>	<u>1,258,760</u>
Bonds	<u>2,779,477</u>	<u>1,258,760</u>

Financial assets at fair value through other comprehensive income with carrying value of US\$1,526,080 are pledged for the banking facilities granted to a subsidiary of the Group as disclosed in Note (24).

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. LOAN RECEIVABLES

The loan to a third party is unsecured, interest bearing at 2% per annum and repayable on or before March 31, 2023.

13. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

Amounts due from fellow subsidiaries disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622) are as follows:

<u>Name of borrower</u>	<u>Outstanding principal</u>		
	<u>At beginning of year</u>	<u>At end of year</u>	<u>Maximun outstanding</u>
	(Restated) US\$	US\$	US\$
Pearl Global (HK) Limited ⁽¹⁾	4,320,019	3,924,927	4,320,019
Pearl Grass Creations Limited ⁽²⁾	173,000	203,000	203,000
Pearl Global Vietnam Co, Limited	13,210	-	13,210
DSSP Global Limited ⁽²⁾	<u>190,000</u>	<u>390,000</u>	390,000
	<u>4,696,229</u>	<u>4,517,927</u>	

⁽¹⁾ Connected by the common directors, Deepak Kumar SETH, Pulkit SETH, Sweta AGARWAL (resigned on July 15, 2020) and Sumit LATH (appointed on July 15, 2020)

⁽²⁾ Connected by the common directors, Deepak Kumar SETH, Pulkit SETH and Sweta Agarwal (resigned on July 15, 2020)

Principal terms: The amounts due from fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayments.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE RECEIVABLES

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Trade receivables (Note A&B)	2,717,976	5,111,613
	=====	=====
Note A: At March 31, the aging analysis of trade receivables is as follows:		
Neither past due nor impaired	2,013,844	3,699,411
Past due but not impaired	704,132	1,412,202
	=====	=====
	2,717,976	5,111,613
	=====	=====

Note (B): Trade receivables are non-interest bearing and are generally on terms of 45 to 65 days.

15. BANK BORROWING

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
<i>Amount repayable within one year</i>		
Time loan	20,408	154,061
	=====	=====

The bank borrowing is unsecured, carries floating rate of interest and is repayable within one year.

16. AMOUNTS DUE TO FELLOW SUBSIDIARIES

The amounts due to fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. AMOUNT DUE TO HOLDING COMPANY

- (a) The amount due to holding company of US\$ 268,275 (2020: US\$ 253,275) is unsecured, interest-free and has no fixed terms of repayment.
- (b) The loan amount due to holding company of US\$ 660,000 (2020: USD 660,000) is unsecured and has no fixed terms of repayment. The interest is bearing at 6 % or 6 months LIBOR rate plus 4 %, whichever is higher.

18. SHARE CAPITAL

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Issued and fully paid:		
535,000 ordinary shares	4,335,000	4,335,000
	=====	=====

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

19. MERGER RESERVE

Upon the completion of the Acquisition of Pearl Global F.Z.E. and A&B Investment Limited, a consideration of US\$1,206,874 and US\$1,212,725 respectively was paid to Pearl Global (HK) Limited by cash.

Since AG5 is adopted, the net assets of the Pearl Global F.Z.E. and A&B Investment Limited are consolidated using their existing book values from the perspective of ultimate holding company. Merger reserve represents the difference between the consideration paid and the book values of the acquirees.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<u>NOTES</u>	<u>2021</u>	<u>2020</u>
		US\$	US\$
Non-Current Assets			
Interests in subsidiaries	(20a)	2,923,599	-
Plant and equipment		-	-
Loan receivables		1,882,850	1,864,250
		4,806,449	1,864,250
Current Assets			
Amounts due from fellow subsidiaries		4,517,926	7,115,828
Trade receivables		2,717,976	5,111,613
Cash and cash equivalents		1,170,046	842,585
		8,405,948	13,070,026
Current Liabilities			
Other payables and accruals		102,387	139,067
Amounts due to fellow subsidiaries		2,548,349	4,330,672
Amount due to holding company		928,275	913,275
		3,579,011	5,383,014
Net Current Assets		4,826,937	7,687,012
NET ASSETS		9,633,386	9,551,262
EQUITY			
Share capital		4,335,000	4,335,000
Retained earnings		5,298,386	5,216,262
TOTAL EQUITY		9,633,386	9,551,262

APPROVED BY THE BOARD OF DIRECTORS ON JUNE 2, 2021 AND SIGNED ON BEHALF OF THE BOARD BY:



 Deepak Kumar SETH
 Director



 Pulkit SETH
 Director

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

(a) INTERESTS IN SUBSIDIARIES

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Unlisted shares, at cost	2,419,599	-
Amounts due from subsidiaries (Note (i))	<u>504,000</u>	<u>-</u>
	<u>2,923,599</u>	<u>-</u>

Particulars of principal subsidiaries are as follows:

<u>Name of subsidiaries</u>	<u>Place of incorporation and operation</u>	<u>Percentage of Equity attributable to the Company</u>				<u>Principal activity</u>
		<u>2021</u>		<u>2020</u>		
		<u>Directly</u>	<u>Indirectly</u>	<u>Directly</u>	<u>Indirectly</u>	
A&B Investment Limited *	U.A.E.	100%	-	-	-	Investment holding
Pearl Global - F.Z.E. *	U.A.E.	100%	-	-	-	Investment holding

* Not audited by Louis Lai & Luk CPA Limited

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

(b) AMOUNTS DUE FROM SUBSIDIARIES

Amounts due from fellow subsidiaries disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622) are as follows.

<u>Name of borrower</u>	<u>Outstanding principal</u>		
	<u>At beginning of year</u>	<u>At end of year</u>	<u>Maximun outstanding</u>
	US\$	US\$	US\$
A&B Investment Limited ⁽¹⁾	-	252,000	252,000
Pearl Global - F.Z.E. ⁽²⁾	-	252,000	252,000
	-	504,000	

⁽¹⁾ Connected by the common directors, Deepak Kumar SETH and Sumit LATH

⁽²⁾ Connected by the common director, Deepak Kumar SETH

(c) MOVEMENT IN THE EQUITY OF THE COMPANY

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
	US\$	US\$	US\$
At April 1, 2019	4,335,000	4,476,819	8,811,819
Total comprehensive income for the year	-	739,443	739,443
At March 31, 2020 and April 1, 2020	4,335,000	5,216,262	9,551,262
Total comprehensive income for the year	-	82,124	82,124
At March 31, 2021	4,335,000	5,298,386	9,633,386

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONT'D)

(A) Categories of financial assets and financial liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities.

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Categories of financial instruments		
Financial assets		
<i>Financial assets at fair value through other comprehensive income</i>	2,779,477	1,258,760
<i>Financial assets measured at amortised cost</i>		
Loan receivables	1,882,850	1,864,250
Amounts due from fellow subsidiaries	4,517,927	4,696,229
Trade receivables	2,717,976	5,111,613
Cash and cash equivalents	1,401,434	2,036,663
	10,520,187	13,708,755
	13,299,664	14,967,515
Financial liabilities:		
<i>Financial liabilities measured at amortised cost</i>		
Other payables and accruals	102,387	139,067
Bank borrowing	20,408	154,061
Amounts due to fellow subsidiaries	2,548,349	4,545,672
Amount due to holding company	928,275	913,275
	3,599,419	5,752,075

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONT'D)

(B) Financial risk management ,objectives and policies

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include credit risk, foreign currency risk, liquidity risk and interest rate risk.

Policies for managing these risks are set by the Group's board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes.

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers and other counterparties in the ordinary course of its operations.

Trade receivables

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's 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. Trade receivables are usually due within 30-90 days from the date of billing. Debtors with balances that are past due are usually requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. Trade receivables at the reporting date mainly comprise amounts receivable from sales of goods. No interest is charged on the trade receivables.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The directors of the Group are on the opinion that the expected credit loss rate is close to zero as these trade receivables have no recent history of default.

Expected loss rates are based on actual loss experience over the past one year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

After performing the individual credit evaluations on all customers, no provision for impairment was made on trade receivables during the year.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONT'D)

(B) Financial risk management ,objectives and policies (Cont'd)

(a) Credit risk (cont'd)

Other financial assets at amortised cost

As at March 31, 2021, in addition to the cash and bank balances which are considered to have low credit risk, other financial assets at amortised cost of the Group include loan and other receivables. No provision was made against the gross amount of loan and other receivables, cash and bank balances because the directors of the Group considered the impact of the ECLs of these financial assets to be insignificant based on past credit history and the nature of these financial assets.

(b) Foreign currency risk

The Group operates internationally and is primarily exposed to foreign exchange risk arising from currency exposures of the United States dollars, with respect to the Hong Kong dollar. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(i) Exposure to currency risk

The following table details the Group's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the Group to which they relate. For presentation purpose, the amounts of the exposure are shown in United States dollars, translated using the spot rate at the end of reporting period.

	<u>2021</u>	<u>2020</u>
	<u>(Expressed in US\$)</u>	<u>(Expressed in US\$)</u>
	US\$	US\$
Cash and cash equivalents	10,480	2,195
Other payables and accruals	<u>(2,387)</u>	<u>(2,663)</u>
Net exposure arising from recognised assets and liabilities	8,093	(468)
	=====	=====

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONT'D)

(B) Financial risk management ,objectives and policies (Cont'd)

(b) Foreign currency risk (Cont'd)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit/loss before tax in response to reasonably possible changes (e.g.±10%) in the foreign exchange rates to which the Group has significant exposure at the end of reporting period.

	<u>2021</u>		<u>2020</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	US\$	US\$	US\$	US\$
Hong Kong Dollar (HKD)	809	(809)	(47)	47
	=====	=====	=====	=====

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period and had been applied to the Group's exposure to currency risk for the variables.

The stated changes represent management's assessment of reasonably possible change in foreign exchange rates over the period until the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the Hong Kong dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Group's profit after tax and equity measured in the respective functional currencies, translated into United States dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2020.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS (CONT'D)

(B) Financial risk management ,objectives and policies (Cont'd)

(d) Interest rate risk

The Group has no significant interest bearing assets and liabilities bank borrowings and amount due to holding company. Its expenses and operating cash flows are substantially independent of changes in market interest rates. Carrying amounts of net financial liabilities as at March 31 that exposed to interest rate risks were as follows:

	<u>2021</u>	<u>2020</u> (restated)
	US\$	US\$
<i>Financial liabilities bearing variable interest:</i>		
Bank borrowing	(20,408)	(154,061)
Amount due to holding company	<u>(660,000)</u>	<u>(660,000)</u>
	<u>(680,408)</u>	<u>(814,061)</u>

Sensitivity analysis

At March 31, 2021, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, interest income and profit before taxation for the year ended March 31, 2021 would decrease/increase by a net amount of US\$6,804 (2020: US\$8,140). The carrying amount of financial asset/liability measured at amortized cost and the carrying amount of financial asset/liability bearing interest rate measured at fair value would not be affected by the assumed 100 basis points increase/decrease in interest rate.

Although a financial asset or financial liability may be subject to interest rate risk, its carrying amount may not necessarily be affected by the assumed 100 basis points increase in market interest rates.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. FAIR VALUE MEASUREMENT

Financial assets measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements as at March 31, 2021 categorised into		
	Level 1	Level 2	Level 3
	US\$	US\$	US\$
Financial assets at fair value through other comprehensive income			
- Units in money market funds	131,054	-	-
- Debt investment	<u>2,648,423</u>	<u>-</u>	<u>-</u>
	<u>2,779,477</u>	<u>-</u>	<u>-</u>

	Fair value measurements as at March 31, 2020 categorised into		
	Level 1	Level 2	Level 3
	US\$	US\$	US\$
Financial assets at fair value through other comprehensive income			
- Structured products	<u>1,258,760</u>	<u>-</u>	<u>-</u>

During the years ended March 31, 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. RELATED PARTY TRANSACTIONS

During normal course of business, the Group had the following material transactions with the related parties:

<u>Name of Company</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>2021</u>	<u>2020</u>
			US\$	US\$
PT Pinnacle Apparels ⁽¹⁾	Fellow subsidiaries	Purchase of goods	17,666,745	21,949,720
		Sundry expenses	8,964	28,460
Pearl Global Vietnam Co Ltd	Fellow subsidiaries	Purchase of goods	-	3,920,641
Pearl Global Industries Limited ⁽¹⁾	Ultimate holding Company	Purchase of goods		-
		Interest expenses	42,900	42,900
		Sampling expenses	50,500	51,800
			=====	=====

⁽¹⁾ Connected with Deepak Kumar SETH, Pulkit SETH who are the directors of the captioned company.

24. BANKING FACILITIES

Overdraft and temporary loan facilities are granted by a bank to a subsidiary of the Group and are secured by the subsidiary's financial assets at fair value through other comprehensive income.

PEARL GLOBAL FAREAST LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. NEW AND AMENDMENTS TO HKFRS IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and its Associate or and HKAS 28	Sale or Contribution of Assets between an Investor Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non- current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after January 1, 2023.

² Effective for annual periods beginning on or after January 1, 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after June 1, 2020.

⁵ Effective for annual periods beginning on or after January 1, 2021.

26. COMPARATIVE FIGURES

As further explained in Note 2(b) to the financial statements, due to application of AG 5 in the current year, retrospective adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation. .

27. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Company's Board of Directors on June 2, 2021.