

Report of the Directors and Audited Financial Statements

PEARL GLOBAL (HK) LIMITED

31 March 2024

CERTIFIED TRUE COPY

Ernst & Young

ERNST & YOUNG

EY 安永
Building a better
working world

PEARL GLOBAL (HK) LIMITED

CONTENTS

	Pages
REPORT OF THE DIRECTORS	1 - 2
INDEPENDENT AUDITOR'S REPORT	3 - 5
AUDITED FINANCIAL STATEMENTS	
Consolidated statement of profit or loss	6
Consolidated statement of comprehensive income	7
Consolidated statement of financial position	8 - 9
Consolidated statement of changes in equity	10 - 11
Consolidated statement of cash flows	12 - 13
Notes to financial statements	14 - 62

PEARL GLOBAL (HK) LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Pearl Global (HK) Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 March 2024.

Principal activities

The principal activities of the Company are investment holding and garment trading. The principal activities of the subsidiaries are garment and textile trading and manufacturing. There were no significant changes in the nature of the Group’s principal activities during the year.

Results and dividends

The Group’s profit for the year ended 31 March 2024 and the Group’s financial position at that date are set out in the financial statements on pages 6 to 62.

An interim dividend of US\$0.81 cent per ordinary share totalling US\$1,300,000 was paid on 25 October 2023. The directors do not recommend the payment of final dividend in respect of the year.

Directors

The directors of the Company during the year were:

Deepak Kumar SETH
Mahesh Kumar SETH
Pulkit SETH
Abhishek GOYAL
Gurusankar GURUMOORTHY
Sumit LATH

The persons who were directors of the subsidiaries of the Company during the year were:

Deepak Kumar SETH
Pulkit SETH
Shifalli SETH
Gurusankar GURUMOORTHY
Sumit LATH

There being no provision in the Company’s Articles of Association for retirement by rotation, all directors continue in office for the ensuing year

Directors’ interests

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

Directors’ interests in transactions, arrangements or contracts

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

Permitted indemnity provisions

During the year ended 31 March 2024, a permitted indemnity provision as defined in the Hong Kong Companies Ordinance was in force for an indemnity against a liability incurred by the directors of the Company, to a third party.

PEARL GLOBAL (HK) LIMITED

REPORT OF THE DIRECTORS (continued)

Auditors

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

ON BEHALF OF THE BOARD



.....
Deepak Kumar SETH
Chairman

Hong Kong
15 May 2024



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979 號
太古坊一座 27 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

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

Opinion

We have audited the consolidated financial statements of Pearl Global (HK) Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 6 to 64, which comprise the consolidated statement of financial position as at 31 March 2024, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material 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 31 March 2024, 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 (“HKSAAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the 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.

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 report of the directors.

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

In connection with our audit of the 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.

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

Responsibilities of the directors for the consolidated financial statements

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

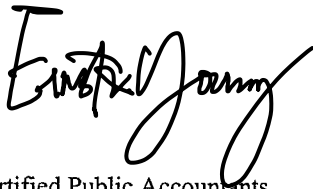
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of 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.

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

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

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



Certified Public Accountants
Hong Kong
15 May 2024

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2024

	Notes	2024 US\$	2023 US\$
REVENUE	4	323,027,215	299,080,786
Cost of sales		(269,880,287)	(258,259,268)
Gross profit		53,146,928	40,821,518
Other income and gains, net	5	721,358	1,335,771
Administrative expenses		(30,805,351)	(25,204,764)
Other operating expenses		(4,188,757)	(3,469,081)
Finance costs	6	(5,044,607)	(2,977,659)
PROFIT BEFORE TAX	7	13,829,571	10,505,785
Income tax expense	9	(1,250,763)	(964,530)
PROFIT FOR THE YEAR		<u>12,578,808</u>	<u>9,541,255</u>
Attributable to:			
Owner of the parent		12,522,773	9,076,286
Non-controlling interests		<u>56,035</u>	<u>464,969</u>
		<u>12,578,808</u>	<u>9,541,255</u>

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2024

	2024 US\$	2023 US\$
PROFIT FOR THE YEAR	<u>12,578,808</u>	<u>9,541,255</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations, net	(705,101)	(527,000)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial assets at fair value through other comprehensive income	(240,496)	68,444
Remeasurement gain/(loss) on defined benefit obligations, net of tax	16,969	(81,391)
Revaluation of property, net of tax	<u>-</u>	<u>(42,448)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	<u>(928,628)</u>	<u>(582,395)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>11,650,180</u>	<u>8,958,860</u>
Attributable to:		
Owner of the parent	11,548,615	8,518,539
Non-controlling interests	<u>101,565</u>	<u>440,321</u>
	<u>11,650,180</u>	<u>8,958,860</u>

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2024

	Notes	2024 US\$	2023 US\$
NON-CURRENT ASSETS			
Property, plant and equipment	10	18,351,647	17,074,859
Right-of-use assets	11(a)	7,088,849	6,164,833
Goodwill	12	1,932,750	1,932,750
Financial assets at fair value through other comprehensive income	13	2,732,856	2,973,352
Loan receivables	14	243,193	18,922
Deposits and prepayments		102,743	26,062
Deferred tax assets	15	37,810	80,934
Total non-current assets		<u>30,489,848</u>	<u>28,271,712</u>
CURRENT ASSETS			
Inventories	16	27,106,426	30,529,534
Trade and other receivables	17	15,794,414	13,365,729
Amounts due from fellow subsidiaries	27(c)	2,782,224	-
Deposits and prepayments		3,332,842	3,175,964
Loan receivables	14	1,234,942	100,856
Non-pledged time deposits	18	449,355	1,003,792
Cash and cash equivalents	18	17,210,249	14,659,243
Total current assets		<u>67,910,452</u>	<u>62,835,118</u>
CURRENT LIABILITIES			
Trade and other payables	19	24,021,609	18,350,095
Amount due to the ultimate holding company	27(c)	3,577,543	4,338,831
Amounts due to fellow subsidiaries	27(c)	8,082,159	7,255,031
Interest-bearing bank borrowings	21	20,270,693	25,240,490
Lease liabilities	11(b)	545,242	88,705
Loans from non-controlling interests	20	225,000	-
Tax payable		781,284	867,017
Total current liabilities		<u>57,503,530</u>	<u>56,140,169</u>
NET CURRENT ASSETS		<u>10,406,922</u>	<u>6,694,949</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>40,896,770</u>	<u>34,966,661</u>

Continued/...

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2024

	Notes	2024 US\$	2023 US\$
NON-CURRENT LIABILITIES			
Deferred tax liabilities	15	58,055	72,996
Other payables	19	2,117,805	413,021
Loans from non-controlling shareholders	20	-	305,000
Interest-bearing bank borrowings	21	1,801,825	1,205,314
Defined benefit obligations	22	908,739	903,288
Lease liabilities	11(b)	2,773,996	2,153,078
Total non-current liabilities		<u>7,660,420</u>	<u>5,052,697</u>
Net assets		<u>33,236,350</u>	<u>29,913,964</u>
EQUITY			
Share capital	23	9,060,000	9,060,000
Reserves		<u>20,326,803</u>	<u>16,910,631</u>
		29,386,803	25,970,631
Non-controlling interests		<u>3,849,547</u>	<u>3,943,333</u>
Total equity		<u>33,236,350</u>	<u>29,913,964</u>



.....
Deepak Kumar SETH
Director

.....
Pulkit SETH
Director

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2024

	Notes	2024 US\$	2023 US\$
NON-CURRENT LIABILITIES			
Deferred tax liabilities	15	58,055	72,996
Other payables	19	2,117,805	413,021
Loans from non-controlling shareholders	20	-	305,000
Interest-bearing bank borrowings	21	1,801,825	1,205,314
Defined benefit obligations	22	908,739	903,288
Lease liabilities	11(b)	2,773,996	2,153,078
Total non-current liabilities		<u>7,660,420</u>	<u>5,052,697</u>
Net assets		<u>33,236,350</u>	<u>29,913,964</u>
EQUITY			
Share capital	23	9,060,000	9,060,000
Reserves		<u>20,326,803</u>	<u>16,910,631</u>
		29,386,803	25,970,631
Non-controlling interests		<u>3,849,547</u>	<u>3,943,333</u>
Total equity		<u>33,236,350</u>	<u>29,913,964</u>

.....
Deepak Kumar SETH
Director


.....
Pulkit SETH
Director

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2024

	Attributable to owners of the parent									
	Share capital US\$	Capital reserve US\$	Revaluation surplus US\$	Exchange fluctuation reserve US\$	Other reserve US\$	Share option reserve US\$	Retained profits US\$	Total US\$	Non-controlling interests US\$	Total US\$
At 1 April 2023	9,060,000	-	629,567	(184,005)	(219,762)	71,501	16,613,330	25,970,631	3,943,333	29,913,964
Profit for the year	-	-	-	-	-	-	12,522,773	12,522,773	56,035	12,578,808
Other comprehensive income/(loss) for the year:										
Exchange difference on translation of foreign operation, net	-	-	-	(705,027)	-	-	- (705,027)	(705,027)	(74)	(705,101)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	(240,496)	-	-	-	- (240,496)	(240,496)	-	(240,496)
Remeasurement gain/(loss) on defined benefit obligations, net of tax	-	-	-	-	(28,635)	-	- (28,635)	(28,635)	45,604	16,969
Total comprehensive income for the year	-	-	(240,496)	(705,027)	(28,635)	-	12,522,773	11,548,615	101,565	11,650,180
Equity settled share option arrangements	-	-	-	-	-	134,461	-	134,461	-	134,461
Final dividend 2023	-	-	-	-	-	-	(500,000)	(500,000)	-	(500,000)
Interim dividend	-	-	-	-	-	-	(1,300,000)	(1,300,000)	-	(1,300,000)
Acquisition of non-controlling interests	-	(6,466,904)	-	-	-	-	-	(6,466,904)	(195,351)	(6,662,255)
At 31 March 2024	9,060,000	(6,466,904)*	389,071*	(889,032)*	(248,397)*	205,962*	27,336,103*	29,386,803	3,849,547	33,236,350

* These reserve accounts comprise the reserves of US\$20,326,803 (2023: US\$16,910,631) in the consolidated statement of financial position.

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 March 2024

	Attributable to owners of the parent						Non-controlling interests US\$	Total equity US\$
	Share capital US\$	Revaluation reserve US\$	Exchange fluctuation reserve US\$	Other reserve US\$	Share option reserve US\$	Retained profits US\$	Total US\$	
At 1 April 2022	9,060,000	603,571*	342,829*	(162,853)*	-	8,287,044*	18,130,591	21,633,603
Profit for the year	-	-	-	-	-	9,076,286	9,076,286	9,541,255
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of foreign operation, net	-	-	(526,834)	-	-	- (526,834)	(166)	(527,000)
Change in fair value of financial assets at fair value through other comprehensive income	-	68,444	-	-	-	- 68,444	-	68,444
Deficit on revaluation of land, net of tax	-	(42,448)	-	-	-	- (42,448)	-	(42,448)
Remeasurement loss on defined benefit obligations, net of tax	-	-	-	(56,909)	-	- (56,909)	(24,482)	(81,391)
Total comprehensive income for the year	-	25,996	(526,834)	(56,909)	-	9,076,286	8,518,539	8,958,860
Equity-settled share option arrangements	-	-	-	-	71,501	-	71,501	71,501
Final dividend 2022	-	-	-	-	-	(250,000)	(250,000)	(250,000)
Interim dividend 2023	-	-	-	-	-	(500,000)	(500,000)	(500,000)
At 31 March 2023	<u>9,060,000</u>	<u>629,567*</u>	<u>(184,005)*</u>	<u>(219,762)*</u>	<u>71,501*</u>	<u>16,613,330*</u>	<u>25,970,631</u>	<u>29,913,964</u>

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2024

	Notes	2024 US\$	2023 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		13,829,571	10,505,785
Adjustments for:			
Interest income	5	(265,297)	(31,373)
Gain on disposal of property, plant and equipment, net	7	(7,836)	(29,705)
Gain from a bargain purchase	5	(81,859)	(630,647)
Finance costs	6	5,044,607	2,977,659
Reversal of impairment of trade receivables	7	(350)	(234,729)
Reversal of write-down of inventories	7	(50,078)	(83,183)
Depreciation of property, plant and equipment	7	1,790,672	1,356,580
Depreciation of right-of-use assets	7	727,510	724,258
Pension scheme costs, net	7	197,533	124,729
Equity-settled share option expense		134,461	71,501
(Gain)/loss on lease modification	11(c)	(1,030)	104,900
		21,317,904	14,855,775
Decrease/(increase) in inventories		3,473,186	(9,861,365)
Increase in deposits and prepayments		(662,336)	(319,269)
(Increase)/decrease in trade and other receivables		(1,902,676)	27,196,573
Increase in trade and other payables		3,340,744	2,965,159
Decrease in an amount due to the ultimate holding company		(761,288)	(868,598)
Changes in balances with fellow subsidiaries		(1,955,096)	(12,410,790)
		22,850,438	21,557,485
Cash generated from operations		265,297	31,373
Interest received		(132,323)	(90,543)
Employee benefits paid			
Interest paid for interest-bearing bank borrowings		(4,574,663)	(2,742,176)
and other borrowings		(881,317)	(445,479)
Overseas profits tax paid			
		17,527,432	18,310,660
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		(4,099,820)	(4,207,268)
Proceeds from disposal of items of property, plant and equipment		509,593	99,647
Acquisition of a subsidiary	24	152,701	224,229
Repayments from loan receivables		18,922	(119,778)
Advances of loan		(1,377,279)	-
Settlement of consideration payable		(444,468)	-
Decrease in non-pledged time deposits with original maturity of more than three months when acquire		554,437	55,389
		(4,685,914)	(3,947,781)
Net cash flows used in investing activities			

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2024

	2024 US\$	2023 US\$
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to non-controlling shareholder	(80,000)	-
New bank borrowings	70,403,593	254,245,451
Repayment of bank borrowings	(74,886,086)	(256,593,134)
Repayment of other borrowings	-	(2,846,545)
Principal portion of lease payments	(606,593)	(282,665)
Interest portion of lease payments	(230,384)	(208,484)
Acquisition of non-controlling interests	(3,018,293)	-
Dividends paid	(1,800,000)	(750,000)
Cash flows used in financing activities	(10,217,763)	(6,435,377)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,623,755	7,927,502
Cash and cash equivalents at beginning of year	13,909,335	4,904,631
Effect of foreign exchange rate changes, net	(602,735)	1,077,202
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>15,930,355</u>	<u>13,909,335</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	12,910,888	11,347,090
Non-pledged time deposits with original maturities of less than three months when acquired	<u>4,299,361</u>	<u>3,312,153</u>
Cash and cash equivalents as stated in the consolidated statement of financial position	17,210,249	14,659,243
Bank overdrafts	(1,279,894)	(749,908)
Cash and cash equivalents as stated in the consolidated statement cash flows	<u>15,930,355</u>	<u>13,909,335</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

1. CORPORATE INFORMATION

Pearl Global (HK) Limited is a limited liability company incorporated in Hong Kong. Its registered office is located at Room 1801, 18/F, Kimberland Centre, No. 55 Wing Hong Street, Cheung Sha Wan, Kowloon. The principal activities of the Company and its subsidiaries (collectively, the “Group”) are investment holding, garment and textile trading and manufacturing.

In the opinion of the directors, the immediate holding company and ultimate holding company is Pearl Global Industries Limited, a company incorporated in India and listed on Bombay Stock Exchange and National Stock Exchange in India.

Information about subsidiaries

Particulars of the Company’s subsidiaries as at 31 March 2024 are as follows:

Name	Place of incorporation/ registration and business	Percentage of equity holding attributable to the Company		Principal activities
		Direct	Indirect	
DSSP Global Limited	Hong Kong	100	-	Garment trading & investment holding
Pearl Grass Creations Limited	Hong Kong	100	-	Garment trading
PGIC Investment Limited	Hong Kong	100	-	Investment holding
Prudent Fashions Limited	Bangladesh	99.95	-	Garment & textile manufacturing
Vin Pearl Global Vietnam Limited	Hong Kong	100	-	Investment holding
Pearl Global Vietnam Company Limited	Vietnam	-	100	Garment manufacturing
PT Pinnacle Apparels	Indonesia	-	69.91	Garment & textile Manufacturing
Alpha Clothing Limited	Bangladesh	100	-	Garment Manufacturing
Pearl Global Industries FZCO	Dubai	100	-	Garment trading
Pearl Unlimited, Inc.	United States	100	-	Garment trading

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

1. CORPORATE INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's subsidiaries as at 31 March 2024 are as follows: (continued)

Name	Place of incorporation/ registration and business	Percentage of equity holding attributable to the Company		Principal activities
		Direct	Indirect	
Trinity Clothing Limited	Hong Kong	100	-	Trading of fabrics and interlining

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and defined benefit obligation, which have been measured at fair value. These consolidated financial statements are presented in United States dollars ("US\$").

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs, which are applicable to the Company for the first time in the current year's financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2.4 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any item in the Group's financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to HKAS 8 *Definition of Accounting Estimates*

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 15 to the consolidated financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules*

Amendments to HKAS 12 introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Company has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Company.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied any of the revised HKFRSs that have been issued but are not yet effective for the accounting year ended 31 March 2024 in these financial statements.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> ^{1, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> ¹
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

31 March 2024

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS
(continued)

- ¹ Effective for annual periods beginning on or after 1 January 2024
- ² Effective for annual periods beginning on or after 1 January 2025
- ³ No mandatory effective date yet determined but available for adoption
- ⁴ As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

The Group is in the process of making an assessment of the impact of these revised HKFRSs upon initial application. So far, the Group considers that these revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 MATERIAL ACCOUNTING POLICIES

Related parties

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

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group; or
- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group 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;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

31 March 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its interest in an insurance policy at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced 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 property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building in Hong Kong	over the lease term or 30 June 2047, whichever is earlier
Buildings outside Hong Kong	over the lease term
Infrastructures	4% to 20%
Leasehold improvements	33 $\frac{1}{3}$ %
Machineries	10% to 20%
Furniture and fixtures	10% to 33 $\frac{1}{3}$ %
Motor vehicles	12.5% to 20%
Tools and equipment	10% to 33 $\frac{1}{3}$ %
Office equipment	20% to 33 $\frac{1}{3}$ %
Computer equipment	33 $\frac{1}{3}$ %
Computer software	20%

The gain or loss on disposal of items of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Construction in progress represents a building and asset under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If such an indication exists, the Group makes an estimate of the asset's recoverable amount.

31 March 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit). In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to profit or loss in the year in which it arises.

Leases

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. All leases with a term of more than 12 months are recognised as assets representing the right of use of the underlying asset and liabilities representing the obligation to make lease payments, unless the underlying asset is of low value. Both the assets and the liabilities are initially measured on a present value basis. Right-of-use assets are recognised separately and are measured at cost or valuation less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful lives of the assets and the lease terms. Lease liabilities are initially measured at the present value of lease payments to be made under the lease terms and subsequently adjusted by the effect of the interest on and the settlement of the lease liabilities, and the re-measurement arising from any reassessment of the lease liabilities or lease modifications.

Financial assets

Trade receivables that do not contain a significant financial component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financial component are measured at the transaction price determined under HKFRS 15. All the other financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Group commits to purchase or sell the assets.

(a) Classification and measurement

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets (continued)

(a) Classification and measurement (continued)

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

Equity investments are measured at fair value through profit or loss unless, on initial recognition, the Group has irrevocably elected to designate such investments that are not held for trading as equity investments at fair value through other comprehensive income. Dividends of such investments are recognised in the statement of profit or loss when the Group's right to receive payment is established. Changes in the fair value of such investments are recognised in other comprehensive income and are never recycled to the statement of profit or loss even when the assets are sold.

(b) Impairment

The Group applies the expected credit loss model on all the financial assets that are subject to impairment. For trade receivables without a significant financial component, the Group applies the simplified approach which requires impairment allowances to be measured at lifetime expected credit losses.

For other financial assets, impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Group is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

The Group considers a default has occurred when a financial asset is more than six months past due unless the Group has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Group has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

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

31 March 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provisions

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

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

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the control of goods or services is transferred to the customers, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of garment products

Revenue from the sale of garment products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the garment products.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits, as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs are expensed in profit or loss in the year in which they are incurred.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currencies

These consolidated financial statements are presented in US\$, which is the Group's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currency of the certain overseas subsidiaries are currencies other than United States dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into United States dollar at the exchange rates prevailing at the end of the reporting period and their statement of profit or loss are translated into United States dollar at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the statement of cash flows, the cash flows of overseas subsidiaries are translated into United States dollar at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into United States dollar at the weighted average exchange rates for the year.

Employee benefits

Retirement benefit costs

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as and when the contributions fall due.

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefit costs (continued)

The Group has made provisions for estimated liabilities for employee benefits paid to the employees of the Group's Indonesian subsidiary as required under the Indonesian Labor Law. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation in the consolidated statement of profit or loss:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Income tax

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

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

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

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

31 March 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainties

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.

Impairment of trade receivables

The impairment provisions for trade receivables are based on assumptions about expected credit losses. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainties (continued)

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from change or improvements in the provision of services, or from a change in the market demand for the service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustment of depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

4. REVENUE

Revenue recognised at a point in time during the year is as follows:

	2024 US\$	2023 US\$
<i>Revenue from contracts with customers</i>		
Sales of garment products	<u>323,027,215</u>	<u>299,080,786</u>

The performance obligation is satisfied at a point in time upon delivery of the garment products and payment is generally due within 30 to 90 days from delivery.

5. OTHER INCOME AND GAINS, NET

	2024 US\$	2023 US\$
Bank interest income	62,250	20,916
Other interest income	203,047	10,457
Gain on disposal of property, plant and equipment, net	7,836	48,578
Sundry income	366,366	625,173
Gain from a bargain purchase	<u>81,859</u>	<u>630,647</u>
	<u>721,358</u>	<u>1,335,771</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

6. FINANCE COSTS

	2024 US\$	2023 US\$
Interest on term loans	296,168	651,396
Interest on bank overdraft	111,118	176,663
Interest on trade financing	4,141,789	1,902,692
Interest on lease liabilities	230,384	208,484
Interest on the consideration payable arising from the passage of time	239,560	26,999
Others	25,588	11,425
	<u>5,044,607</u>	<u>2,977,659</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived after charging/(crediting):

	2024 US\$	2023 US\$
Cost of inventories sold	269,880,287	258,259,268
Depreciation of property, plant and equipment	1,790,672	1,356,580
Depreciation of right-of-use assets	727,510	724,258
Lease payments not included in the measurement of lease liabilities	373,759	329,745
Auditor's remuneration	151,964	148,896
Employee benefit expense (including directors' remuneration (note 8)):		
Salaries and allowances^	26,664,247	22,797,296
Pension scheme contribution (defined contribution scheme)#	26,840	27,201
Pension scheme costs (defined benefit obligations)	197,533	124,729
Staff welfare	352,760	387,058
Total	<u>27,241,380</u>	<u>23,336,284</u>
Reversal of impairment of trade receivables, net^^	(350)	(234,729)
Reversal of write-down of inventories to net realisable value^^^	(50,078)	(83,183)
Gain on disposal of property, plant and equipment, net	(7,836)	(29,705)
Foreign exchange differences, net	<u>1,836,865</u>	<u>2,110,620</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

7. PROFIT BEFORE TAX (continued)

- # There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.
- ^ Salaries and allowances of US\$17,362,862 (2023: US\$15,274,422) has been charged to cost of sales and US\$9,301,385 (2023: US\$7,522,874) has been charged to administrative expenses in the consolidated statement of profit or loss, respectively.
- ^^ The impairment of trade receivables and the impairment of deposits and other receivables are included in “Other operating expenses” in the consolidated statement of profit or loss.
- ^^^ The write-down and reversal of write-down of inventories to net realisable value is included in “Cost of sales” in the consolidated statement of profit or loss.

8. DIRECTORS’ REMUNERATION

Directors’ remuneration disclosed pursuant to 383(1)(a) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2024 US\$	2023 US\$
Fees	-	-
Other emoluments:		
Salaries and allowances	173,168	157,503
Pension scheme contribution (defined contribution scheme)	<u>2,314</u>	<u>2,314</u>
	<u>175,482</u>	<u>159,817</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 8.25% (2023: 8.25%) on the estimated assessable profits below HK\$2,000,000, and thereafter at the rate of 16.5% (2023: 16.5%) during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2024 US\$	2023 US\$
Current – Hong Kong		
Charge for the year	286,988	114,066
Overprovision in prior years	(21,624)	-
Current – Elsewhere		
Charge for the year	996,186	724,997
Underprovision in prior years	761	75,096
Deferred tax (note 15)	(11,548)	50,371
Total tax charge for the year	<u>1,250,763</u>	<u>964,530</u>

A reconciliation of the tax expense applicable to the profit before tax at the applicable statutory rate in the corresponding jurisdiction to the tax expense at the effective tax rate is as follows:

	2024 US\$	2023 US\$
Profit before tax	<u>13,829,571</u>	<u>10,505,785</u>
Tax at the applicable statutory tax rate of 14.7% (2023: 12.7%)	2,030,472	1,339,058
Adjustments in respect of current tax of previous periods	(20,863)	75,096
Lower tax rate enacted by local authority	(21,208)	(21,154)
Expenses not deductible for tax	36,462,681	35,422,431
Income not subject to tax	(37,096,864)	(35,630,089)
Temporary differences not recognised	(58,494)	35,936
Tax losses utilised from previous periods	(65,183)	(282,697)
Others	<u>20,222</u>	<u>25,949</u>
Tax charge at the Group's effective rate of 9.0% (2023: 9.2%)	<u>1,250,763</u>	<u>964,530</u>

As at 31 March 2024, the Group has aggregated estimated tax losses arising in Hong Kong and elsewhere of US\$31,749 (2023: US\$426,797), subject to the agreement by the corresponding tax authorities, that are available for offsetting against future taxable profits of the Group. No deferred tax asset in respect of the Group's tax losses has been recognised on account of the unpredictability of future profit streams of the Group.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

10. PROPERTY, PLANT AND EQUIPMENT

31 March 2024

	Freehold Land US\$	Buildings US\$	Leasehold Improvement US\$	Machineries US\$	Furniture and fixture US\$	Tools and equipment US\$	Office equipment US\$	Motor vehicle US\$	Computer equipment US\$	Computer software US\$	Construction in progress US\$	Total US\$
At 31 March 2023 and 1 April 2023:												
Cost	2,925,820	4,733,948	4,395,014	8,936,549	1,063,427	1,011,201	491,478	606,669	180,729	61,054	1,924,635	26,330,524
Accumulated depreciation	-	(948,404)	(1,723,831)	(4,873,053)	(462,963)	(703,387)	(236,350)	(173,868)	(98,766)	(35,043)	-	(9,255,665)
Net carrying amount	<u>2,925,820</u>	<u>3,785,544</u>	<u>2,671,183</u>	<u>4,063,496</u>	<u>600,464</u>	<u>307,814</u>	<u>255,128</u>	<u>432,801</u>	<u>81,963</u>	<u>26,011</u>	<u>1,924,635</u>	<u>17,074,859</u>
At 1 April 2023, net of accumulated depreciation	2,925,820	3,785,544	2,671,183	4,063,496	600,464	307,814	255,128	432,801	81,963	26,011	1,924,635	17,074,859
Additions	-	115,520	677,064	730,953	51,940	198,262	151,691	70,585	70,455	6,044	2,027,306	4,099,820
Disposals	-	-	(48,017)	(362,378)	-	(64,238)	-	(26,453)	(671)	-	-	(501,757)
Transfer	-	1,860,085	(140,730)	1,363,999	50,833	24,287	44,673	31,539	7,824	-	(3,242,510)	-
Depreciation provided during the year	-	(326,690)	(352,852)	(739,269)	(99,146)	(66,445)	(80,325)	(77,390)	(40,286)	(8,269)	-	(1,790,672)
Exchange realignment	(66,884)	(66,136)	(173,065)	(149,438)	(22,407)	(16,221)	(14,870)	(9,328)	(3,937)	(2,111)	(6,206)	(530,603)
At 31 March 2024	<u>2,858,936</u>	<u>5,368,323</u>	<u>2,633,583</u>	<u>4,907,363</u>	<u>581,684</u>	<u>383,459</u>	<u>356,297</u>	<u>421,754</u>	<u>115,348</u>	<u>21,675</u>	<u>703,225</u>	<u>18,351,647</u>
At 31 March 2024:												
Cost	2,858,936	6,615,726	4,606,967	10,307,188	1,137,811	1,136,851	659,189	639,362	249,418	58,644	703,225	28,973,317
Accumulated depreciation	-	(1,247,403)	(1,973,384)	(5,399,825)	(556,127)	(753,392)	(302,892)	(217,608)	(134,070)	(36,969)	-	(10,621,670)
Net carrying amount	<u>2,858,936</u>	<u>5,368,323</u>	<u>2,633,583</u>	<u>4,907,363</u>	<u>581,684</u>	<u>383,459</u>	<u>356,297</u>	<u>421,754</u>	<u>115,348</u>	<u>21,675</u>	<u>703,225</u>	<u>18,351,647</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

10. PROPERTY, PLANT AND EQUIPMENT (continued)

31 March 2023

	Freehold Land US\$	Buildings US\$	Leasehold Improvement US\$	Machineries US\$	Furniture and fixture US\$	Tools and equipment US\$	Office equipment US\$	Motor vehicle US\$	Computer equipment US\$	Computer software US\$	Construction in progress US\$	Total US\$
At 31 March 2022 and 1 April 2022:												
Cost	1,454,383	2,672,907	3,631,726	7,845,623	1,069,997	819,775	295,568	438,446	146,327	56,454	601,349	19,032,555
Accumulated depreciation	-	(244,555)	(1,499,836)	(4,054,922)	(350,850)	(666,976)	(92,438)	(251,242)	(69,787)	(27,561)	-	(7,258,167)
Net carrying amount	<u>1,454,383</u>	<u>2,428,352</u>	<u>2,131,890</u>	<u>3,790,701</u>	<u>719,147</u>	<u>152,799</u>	<u>203,130</u>	<u>187,204</u>	<u>76,540</u>	<u>28,893</u>	<u>601,349</u>	<u>11,774,388</u>
At 1 April 2022, net of accumulated depreciation	1,454,383	2,428,352	2,131,890	3,790,701	719,147	152,799	203,130	187,204	76,540	28,893	601,349	11,774,388
Business combination, net	1,387,895	1,704,786	-	604,847	53,066	-	102,834	13,093	13,763	1,625	-	3,881,909
Additions	220,750	14,581	355,443	810,393	12,620	186,965	44,357	226,838	22,982	5,003	2,307,336	4,207,268
Disposals	-	-	(9,800)	(41,974)	-	(459)	-	(17,709)	-	-	-	(69,942)
Transfer	-	(9,490)	763,915	31,394	24,788	27,613	277	99,740	7,185	-	(954,912)	(9,490)
Depreciation provided during the year	-	(148,700)	(254,251)	(649,462)	(102,596)	(41,674)	(53,282)	(67,874)	(31,509)	(7,232)	-	(1,356,580)
Deficit on revaluation	-	(43,314)	-	-	-	-	-	-	-	-	-	(43,314)
Exchange realignment	(137,208)	(160,671)	(316,014)	(482,403)	(106,561)	(17,430)	(42,188)	(8,491)	(6,998)	(2,278)	(29,138)	(1,309,380)
At 31 March 2023	<u>2,925,820</u>	<u>3,785,544</u>	<u>2,671,183</u>	<u>4,063,496</u>	<u>600,464</u>	<u>307,814</u>	<u>255,128</u>	<u>432,801</u>	<u>81,963</u>	<u>26,011</u>	<u>1,924,635</u>	<u>17,074,859</u>
At 31 March 2023:												
Cost	2,925,820	4,733,948	4,395,014	8,936,549	1,063,427	1,011,201	491,478	606,669	180,729	61,054	1,924,635	26,330,524
Accumulated depreciation	-	(948,404)	(1,723,831)	(4,873,053)	(462,963)	(703,387)	(236,350)	(173,868)	(98,766)	(35,043)	-	(9,255,665)
Net carrying amount	<u>2,925,820</u>	<u>3,785,544</u>	<u>2,671,183</u>	<u>4,063,496</u>	<u>600,464</u>	<u>307,814</u>	<u>255,128</u>	<u>432,801</u>	<u>81,963</u>	<u>26,011</u>	<u>1,924,635</u>	<u>17,074,859</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

10. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 March 2024, certain of the Group's property, plant and equipment with a net carrying amount of approximately US\$8,575,061 (2023: US\$6,958,882) were pledged to secure banking facilities granted to the Group.

11. LEASES

The Group has lease contracts for various items of office premises and factories and machineries used in its operations. Lump sum payments were made upfront to acquire the leasehold land with lease periods of 30 years, and no ongoing payments will be made under the terms of these land leases. Lease of office premises and factories generally have lease terms between 1 and 15 years. Machineries has lease terms of 4 years.

At 31 March 2024, certain of the Group's leasehold land with a net carrying amount of approximately US\$3,137,260 (2023: US\$3,275,713) were pledged to secure banking facilities granted to the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land US\$	Office premises US\$	Factories US\$	Machineries US\$	Total US\$
As at 1 April 2022	3,405,450	84,486	3,691,950	210,226	7,392,112
Business combination	-	32,961	-	-	32,961
Additions	-	10,726	-	92,844	103,570
Depreciation charge	(138,781)	(75,354)	(439,414)	(70,709)	(724,258)
Lease modification	9,490	(2,747)	-	(29,920)	(23,177)
Exchange realignment	(446)	(5,254)	(606,056)	(4,619)	(616,375)
As at 31 March 2023 and 1 April 2023	3,275,713	44,818	2,646,480	197,822	6,164,833
Additions	-	509,514	824,226	450,954	1,784,694
Depreciation charge	(137,459)	(162,607)	(304,879)	(122,565)	(727,510)
Lease modification	-	-	2	(6,251)	(6,249)
Exchange realignment	(994)	(296)	(118,649)	(6,980)	(126,919)
As at 31 March 2024	<u>3,137,260</u>	<u>391,429</u>	<u>3,047,180</u>	<u>512,980</u>	<u>7,088,849</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

11. LEASES (continued)

(b) Lease liabilities

The carrying amounts of the Group's lease liabilities and the movements during the year are as follows:

	2024 US\$	2023 US\$
As at 1 April	2,241,783	2,765,511
Business combination	-	35,479
Additions	1,784,694	103,570
Accretion of interests	230,384	208,484
Payments	(836,977)	(491,149)
Lease modification	(7,279)	72,233
Exchange realignment	(93,367)	(452,345)
As at 31 March	<u>3,319,238</u>	<u>2,241,783</u>
Analysed into:		
Non-current portion	2,773,996	2,153,078
Current portion	<u>545,242</u>	<u>88,705</u>
	<u>3,319,238</u>	<u>2,241,783</u>

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 US\$	2023 US\$
Interest on lease liabilities	230,384	208,484
Depreciation of right-of-use assets	727,510	724,258
Lease payments not included in the measurement of lease liabilities	373,759	329,745
(Gain)/loss on lease modification	(1,030)	104,900
	<u>1,330,623</u>	<u>1,367,387</u>

(d) The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 US\$	2023 US\$
Within operating activities	373,759	329,745
Within financing activities	<u>836,977</u>	<u>491,149</u>
	<u>1,210,736</u>	<u>820,894</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

12. GOODWILL

US\$

At 1 April 2022, 31 March 2023,
1 April 2023 and 31 March 2024

1,932,750

Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the garment trading and manufacturing operation cash-generating units for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections was 10% (2023: 10%), and the cash flows beyond the five-year period are extrapolated using an average growth rate of 3% (2023: 3%).

Assumptions were used in the value in use calculation. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency improvements and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rates – The growth rates used are with reference to the long term average growth rates for the relevant markets.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 US\$	2023 US\$
Insurance policy	<u>2,732,856</u>	<u>2,973,352</u>

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments are not held for trading.

The insurance policy was pledged to secure banking facilities granted to the Group.

14. LOAN RECEIVABLES

	2024 US\$	2023 US\$
Loan receivables	1,478,135	119,778
Portion classified as current assets	<u>(1,234,942)</u>	<u>(100,856)</u>
Non-current portion	<u>243,193</u>	<u>18,922</u>

An impairment analysis was performed on 31 March 2024 by considering the probability of default of the loan receivables. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit losses as at 31 March 2024 were considered to be minimal.

15. DEFERRED TAX

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024 US\$	2023 US\$
Net deferred tax assets	37,810	80,934
Net deferred tax liabilities	<u>(58,055)</u>	<u>(72,996)</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

15. DEFERRED TAX (continued)

The movements in deferred tax liabilities and assets during the year were as follows:

2024Deferred tax asset

	Depreciation allowance in excess of related depreciation US\$	Lease liabilities US\$	Defined benefit obligations US\$	Total
At 31 March 2023	(73,926)	1,052	153,808	80,934
Effect of adoption of amendments to HKAS 12 (note 2.2)	<u>-</u>	<u>331,632</u>	<u>-</u>	<u>331,632</u>
At 1 April 2023 (restated)	(73,926)	332,684	153,808	412,566
Deferred tax charged to profit or loss during the year (note 9)	10,849	73,764	(10,990)	73,623
Deferred tax credited to other comprehensive income during the year	-	-	(42,790)	(42,790)
Exchange realignment	<u>402</u>	<u>(11,298)</u>	<u>-</u>	<u>(10,896)</u>
Gross deferred tax assets at 31 March 2024	<u>(62,675)</u>	<u>395,150</u>	<u>100,028</u>	<u>432,503</u>

Deferred tax liabilities

	Depreciation in excess of related depreciation allowance US\$	Right-of-use assets US\$	Defined benefit obligations US\$	Total US\$
At 31 March 2023	84,509	-	(11,513)	72,996
Effect of adoption of amendments to HKAS 12 (note 2.2)	<u>-</u>	<u>331,632</u>	<u>-</u>	<u>331,632</u>
At 1 April 2023 (restated)	84,509	331,632	(11,513)	404,628
Deferred tax credited to profit or loss during the year (note 9)	(88)	74,359	(12,196)	62,075
Exchange realignment	<u>(3,695)</u>	<u>(11,298)</u>	<u>1,038</u>	<u>(13,955)</u>
Gross deferred tax liabilities at 31 March 2024	<u>80,726</u>	<u>394,693</u>	<u>(22,671)</u>	<u>452,748</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

15. DEFERRED TAX (continued)

The movements in deferred tax liabilities and assets during the year were as follows: (continued)

2023Deferred tax asset

	Depreciation allowance in excess of related depreciation US\$	Lease liabilities US\$	Defined benefit obligations US\$	Total
At 31 March 2022	(27,624)	14,904	131,183	118,463
Effect of adoption of amendments to HKAS 12 (note 2.2)	<u>-</u>	<u>372,162</u>	<u>-</u>	<u>372,162</u>
At 1 April 2023 (restated)	(27,624)	387,066	131,183	490,625
Business combination	-	3,955	-	3,955
Deferred tax charged to profit or loss during the year (note 9) (restated)	(46,302)	(4,499)	(330)	(51,131)
Deferred tax credited to other comprehensive income during the year	-	-	22,955	22,955
Exchange realignment (restated)	<u>-</u>	<u>(53,838)</u>	<u>-</u>	<u>(53,838)</u>
Gross deferred tax assets at 31 March 2023 (restated)	<u>(73,926)</u>	<u>332,684</u>	<u>153,808</u>	<u>412,566</u>

Deferred tax liabilities

	Depreciation in excess of related depreciation allowance US\$	Right-of-use assets US\$	Defined benefit obligations US\$	Total US\$
At 31 March 2022	32,145	-	-	32,145
Effect of adoption of amendments to HKAS 12 (note 2.2)	<u>-</u>	<u>372,162</u>	<u>-</u>	<u>372,162</u>
At 1 April 2023 (restated)	32,145	372,162	-	404,307
Business combination	70,731	3,955	(7,981)	66,705
Deferred tax credited to profit or loss during the year (note 9) (restated)	(5,786)	9,353	(4,327)	(760)
Deferred tax credited to other comprehensive income during the year	(866)	-	-	(866)
Exchange realignment (restated)	<u>(11,715)</u>	<u>(53,838)</u>	<u>795</u>	<u>(64,758)</u>
Gross deferred tax liabilities at 31 March 2023 (restated)	<u>84,509</u>	<u>331,632</u>	<u>(11,513)</u>	<u>404,628</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

16. INVENTORIES

	2024 US\$	2023 US\$
Raw materials	13,746,480	18,376,777
Work in progress	6,156,397	4,794,837
Finished goods	6,000,775	6,068,398
Good in transit	1,274,839	1,411,665
	<u>27,178,491</u>	<u>30,651,677</u>
Provision for inventories	(72,065)	(122,143)
	<u>27,106,426</u>	<u>30,529,534</u>

At 31 March 2024, certain of the Group's inventories were pledged as security for the Group's bank loans.

17. TRADE AND OTHER RECEIVABLES

	Notes	2024 US\$	2023 US\$
Trade receivables	(a)	15,531,557	12,964,081
Less: impairment	(a)	-	(350)
		<u>15,531,557</u>	<u>12,963,731</u>
Other receivables	(b)	262,857	401,998
		<u>15,794,414</u>	<u>13,365,729</u>

(a) The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 90 days. The Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The Group does not hold any collateral or other credit enhancements over these balances. Movements in the loss allowance for trade receivables are as follows:

	2024 US\$	2023 US\$
At the beginning of the year	350	235,079
Reversal of impairment losses, net (note 7)	(350)	(234,729)
At the end of the year	<u>-</u>	<u>350</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

17. TRADE AND OTHER RECEIVABLES (continued)

(a) (continued)

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss model for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses have also incorporated forward-looking information.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 March 2024

	Current US\$	Past due				Total US\$
		Less than 1 month US\$	1 to 6 months US\$	6 to 12 months US\$	Over 12 months US\$	
Gross carrying amount	14,654,206	816,455	52,714	8,182	-	15,531,557
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Expected credit losses	-	-	-	-	-	-

As at 31 March 2023

	Current US\$	Past due				Total US\$
		Less than 1 month US\$	1 to 6 months US\$	6 to 12 months US\$	Over 12 months US\$	
Gross carrying amount	12,527,922	345,327	46,029	31,212	13,591	12,964,081
Expected credit loss rate	0.00%	0.01%	0.04%	0.37%	0.00%	0.42%
Expected credit losses	192	25	16	117	-	350

At 31 March 2024, certain of the Group's trade receivables were pledged to secure banking facilities granted to the Group.

- (b) The carrying amount of other receivables approximated to their fair value as at 31 March 2024 and 2023. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit losses as at 31 March 2024 and 2023 were considered to be minimal.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

18. CASH AND CASH EQUIVALENTS AND NON-PLEDGED TIME DEPOSITS

	Note	2024 US\$	2023 US\$
Cash and bank balance and short term non-pledged time deposits	(a)	17,210,249	14,659,243
Non-pledged time deposits	(b)	<u>449,355</u>	<u>1,003,792</u>
		<u>17,659,604</u>	<u>15,663,035</u>

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for period of three months or less depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

(b) Non-pledged time deposits are made for period of twelve months, and earn interest at the respective time deposit rates. The time deposits are deposited with creditworthy banks with no recent history of default.

19. TRADE AND OTHER PAYABLES

	Note	2024 US\$	2023 US\$
Trade payables	(a)	17,060,749	12,096,300
Other payables		6,628,477	4,579,126
Accruals		<u>2,450,188</u>	<u>2,043,420</u>
		26,139,414	18,718,846
Less: Other payables under non-current portion		<u>(2,117,805)</u>	<u>(413,021)</u>
Current portion		<u>24,021,609</u>	<u>18,305,825</u>

(a) Trade payables are non-interest-bearing and are normally settled within one year.

20. LOANS FROM NON-CONTROLLING SHAREHOLDERS

The loans from non-controlling shareholders are unsecured, interest free and expected to be repayable within one year.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

21. INTEREST-BEARING BANK BORROWINGS AND OTHER BORROWINGS

	2024 US\$	2023 US\$
Current		
<i>Bank borrowings</i>		
Secured:		
Term loans	3,031,283	4,353,922
Discounted bills	446,371	83,172
Trust receipt loans	12,637,619	16,898,190
Bank overdraft	1,279,894	749,908
Import loans	381,084	1,701,415
Export loan	1,585,351	417,947
Packing credit loan	909,091	777,060
Overdraft loan	-	258,876
	<u>20,270,693</u>	<u>25,240,490</u>
Non-current		
<i>Bank borrowings</i>		
Secured:		
Term loans	1,139,262	1,010,440
Import loan	662,563	194,874
	<u>1,801,825</u>	<u>1,205,314</u>
	<u>22,072,518</u>	<u>26,445,804</u>

- (a) Certain term loans were repayable beyond one year but classified as current liabilities as they included repayable on demand clauses.
- (b) The bank borrowing facilities are secured by part of the Group's property, plant and equipment, inventories, and trade receivables. The bank borrowings also have corporate guarantee provided by the ultimate holding company and a fellow subsidiary and personal guarantee provided by directors of the Company.
- (c) Except for certain of the Group's bank borrowings which bears floating interest rate with reference to benchmark rates of HIBOR, LIBOR and SOFR, the contractual interest rate of the other Group's bank borrowings in 2024 ranges from 6.80% to 12.43% per annum (2023: 4.50% to 9.00% per annum).
- (d) All borrowings are denominated in United States dollars, Bangladeshi Takas ("BDT") and Vietnamese Dong ("VND").

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

22. DEFINED BENEFIT OBLIGATIONS

The Group has made provision for estimated liabilities for employee benefits to meet the statutory requirement for employees in Indonesia and Bangladesh. The Group is required to pay separation, appreciation and compensation benefits to their employees if the specific conditions in the corresponding jurisdictions are met.

The Group is primarily exposed to interest rate risk and salary risk.

The principal actuarial assumption used as at the end of the reporting period are as follows:

	2024	2023
Discount rate	6.75%-12.50%	7.00%-7.75%
Expected rate of salary increase	4.00%-6.00%	6.00%-7.00%

A quantitative sensitivity analysis for significant assumption as at the end of the reporting period is shown below:

	Increase in rate %	Increase/ (decrease) in net defined benefit obligations US\$	Decrease in rate %	Increase/ (decrease) in net defined benefit obligations US\$
At 31 March 2024				
Discount rate	1.0	(60,917)	1.0	66,588
Expected rate of salary increases	1.0	74,089	1.0	(68,047)
At 31 March 2023				
Discount rate	1.0	(76,695)	1.0	86,678
Expected rate of salary increases	1.0	94,369	1.0	(84,281)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

22. DEFINED BENEFIT OBLIGATIONS (continued)

The total expenses/(income) recognised in the consolidated statement of profit or loss in respect of the defined benefit obligations are as follows:

	2024 US\$	2023 US\$
Interest cost	62,168	113,486
Current service cost	178,994	43,584
Past Service cost	4,364	(83,144)
(Gain)/loss on settlement	(47,993)	50,803
Net benefit expenses	<u>197,533</u>	<u>124,729</u>

The movements in the present value of the defined benefit obligations are as follows:

	2024 US\$	2023 US\$
At 1 April	903,288	688,315
Business combination	-	79,813
Net benefit expense	197,533	124,729
Actuarial gains/(losses) arising from changes in:		
- financial assumptions	(315,627)	112,576
- experience adjustments	255,296	-
Benefit paid	(132,323)	(90,543)
Exchange differences	<u>572</u>	<u>(11,602)</u>
At 31 March	<u>908,739</u>	<u>903,288</u>

23. SHARE CAPITAL

	2024 US\$	2023 US\$
Issued and fully paid:		
1,610,000 (2023: 1,610,000) ordinary shares	<u>9,060,000</u>	<u>9,060,000</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

24. BUSINESS COMBINATION

On 11 May 2023, the group acquired 100% equity interest in Trinity Clothing Limited from a third party. Trinity Clothing is engaged in the trading of fabrics and interlining. The acquisition was made as part of the Group's strategy to further expand its business operation, expecting to benefit from the synergies of broader customer base. The purchase consideration for the acquisition was in the form of cash, with US\$ 4 paid at the acquisition date.

The fair values of the identifiable assets and liabilities Trinity Clothing Limited as at the date of acquisition were as follows:

	Fair value recognised on acquisition US\$
Trade and other receivables	525,659
Cash and cash equivalent	152,705
Trade and other payables	(596,501)
Total identifiable net assets at fair value	81,863
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss	(81,859)
Consideration at net present value	<u>4</u>

The Group incurred certain transaction costs for this acquisition. These transaction costs have been expensed and are included in administrative and other operating expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follows:

	US\$
Cash consideration at net present value	(4)
Cash and bank balance acquired	<u>152,705</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities	<u>152,701</u>

Since the acquisition, Trinity Clothing Limited recorded a revenue of US\$8,410,703 and generated a profit of US\$24,389 on a standalone entity level.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

24. BUSINESS COMBINATION (continued)

On 4 September 2022, the Group acquired 100% equity interest in substance in Alpha Clothing Limited from a third party. Alpha Clothing is engaged in the manufacture readymade garments item and allied products. The acquisition was made as part of the Group's strategy to expand its market share of garment products in the Bangladesh. The purchase consideration for the acquisition was in the form of cash, with US\$1,045,081 paid at the acquisition date and the remaining US\$490,075 and US\$470,473 to be paid by 31 March 2023 and 31 July 2024. During the year of 2023, the sellers agreed to unconditionally defer the second payment of US\$490,075.

The fair values of the identifiable assets and liabilities of Alpha Clothing Limited as at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition US\$
Property, plant and equipment	10	3,881,909
Right-of-use assets	11(a)	32,961
Inventories		2,454,173
Trade and other receivables		963,500
Deposits and prepayments		439,759
Amount due from related parties		1,098,941
Cash and cash equivalent		1,269,310
Trade and other payables		(3,009,993)
Amount due to a related party		(670,318)
Interest-bearing bank borrowings		(3,342,002)
Lease liabilities	11(b)	(35,479)
Tax payables		(361,374)
Deferred tax liabilities	15	(62,750)
Defined benefit obligations	22	(79,813)
Total identifiable net assets at fair value		2,578,824
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss		(630,647)
Consideration at net present value		1,948,177
Discounted amount		57,452
Satisfied by cash		<u>2,005,629</u>

The Group incurred certain transaction costs for this acquisition. These transaction costs have been expensed and are included in administrative and other operating expenses in the consolidated statement of profit or loss.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

24. BUSINESS COMBINATION (continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	US\$
Cash consideration at net present value	(1,948,177)
Unpaid consideration at net present value	903,096
Cash and bank balance acquired	<u>1,269,310</u>
Net inflow of cash and cash equivalents	
included in cash flows from investing activities	<u>224,229</u>

Since the acquisition, Alpha Clothing Limited recorded a revenue of US\$11,191,777 and generated a profit of US\$1,288,046 on a standalone entity level. After excluding the intercompany sales, Alpha Clothing Limited contributed US\$6,993,697 to the Group's revenue and a loss of US\$2,910,034 to the consolidated profit for the year ended 31 March 2023.

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions:

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of US\$1,784,694 (2023: US\$103,570) and US\$1,784,694 (2023: US\$103,570), respectively, in respect of the lease arrangements for office premises, factories and machineries.

During the year, the Group acquired the remaining 20% equity interest in Pearl Grass Creations Limited from a non-controlling shareholder. The purchase consideration of the acquisition was in the form of cash, with US\$3,000,000 paid at the acquisition date and the remaining of US\$2,000,000 and US\$2,000,000 to be paid by 31 May 2024 and 31 May 2025, respectively, have remained in the other payables.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities are as follows:

	Loans from non-controlling shareholders US\$	Consideration payables* US\$	Interest- bearing bank borrowings US\$	Other borrowings US\$	Lease liabilities US\$	Total US\$
At 1 April 2022	305,000	-	25,868,165	2,846,545	2,765,511	31,785,221
Changes from						
financing cash flows	-	-	(2,347,683)	(2,846,545)	(491,149)	(5,685,377)
Business combination	-	903,096	3,342,002	-	35,479	4,280,577
New leases	-	-	-	-	103,570	103,570
Interest expense	-	26,999	2,742,176	-	208,484	2,977,659
Lease modification	-	-	-	-	72,233	72,233
Interest paid classified as						
operating cash flows	-	-	(2,742,176)	-	-	(2,742,176)
Change in bank overdraft	-	-	(874,730)	-	-	(874,730)
Exchange realignment	-	-	458,050	-	(452,345)	5,705
At 31 March 2023 and at 1 April 2023	305,000	930,095	26,445,804	-	2,241,783	29,922,682
Changes from						
financing cash flows	(80,000)	(3,018,293)	(4,482,493)	-	(836,977)	(8,417,763)
Consideration for acquisition of non-controlling interest	-	6,662,255	-	-	-	6,662,255
Consideration payment classified as investing activities	-	(444,468)	-	-	-	(444,468)
New leases	-	-	-	-	1,784,694	1,784,694
Interest expense	-	239,560	4,574,663	-	230,384	5,044,607
Lease modification	-	-	-	-	(7,279)	(7,279)
Interest paid classified as						
operating cash flows	-	-	(4,574,663)	-	-	(4,574,663)
Change in bank overdraft	-	-	529,986	-	-	529,986
Exchange realignment	-	(148,327)	(420,779)	-	(93,367)	(662,473)
At 31 March 2024	<u>225,000</u>	<u>4,220,822</u>	<u>22,072,518</u>	<u>-</u>	<u>3,319,238</u>	<u>29,837,578</u>

* Consideration payables of US\$1,981,424 and US\$2,239,398 (2023: US\$413,021 and US\$517,074) were classified as non-current and current portion respectively under other payables in the consolidated financial statements.

26. CONTINGENT LIABILITIES

The Group had undertaken the letters of credit of US\$9,019,849 (2023: US\$6,649,907) granted to third party suppliers for sourcing of raw materials. Accordingly, the Group has not made any provision arising from the letter of credit.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

27. RELATED PARTY TRANSACTIONS

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

	Notes	2024 US\$	2023 US\$
Fellow subsidiaries:			
Sales of products	(i)	10,740,580	4,036,490
Purchase of stocks	(ii)	106,042,248	97,538,561
Marketing fees	(v)	1,560,000	1,380,000
Claim recovery fee	(vi)	2,628	545,362
Interest on loan		42,821	-
Ultimate holding company:			
Sales of products	(i)	-	499,603
Purchase of stocks	(ii)	28,662,168	51,159,397
Corporate guarantee charges	(iii)	147,309	187,952
IT system charges	(iv)	323,625	168,151
Sample expenses		<u>544,308</u>	<u>-</u>

Notes:

- (i) The sales of products were based on terms mutually agreed between the parties.
- (ii) The purchase of stocks were based on terms mutually agreed between the parties.
- (iii) Corporate guarantee charges were charged based on mutually agreed between the parties.

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

Notes: (continued)

- (iv) IT system charges were charged based on mutually agreed between the parties.
- (v) Marketing fees were charged based on mutually agreed between the parties.
- (vi) Claim recovery charges were charged based on mutually agreed between the parties.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

27. RELATED PARTY TRANSACTIONS (continued)

(b) Other transaction with related parties

The Company provided unlimited guarantee for banking facilities to DSSP Global Limited and Pearl Global Creations Limited and guarantee of BDT2,930,000,000 (2023: BDT1,780,000,000), which is equivalent to approximately US\$26,636,363 (2023: US\$16,952,381), for the banking facilities to Norp Knit Industries Limited.

Norp Knit Industries Limited, a fellow subsidiary of the Group, has guaranteed certain bank borrowings made to the Group's subsidiary of up to US\$1,436,316 (2023: US\$2,841,702) as at the end of the reporting period.

(c) Outstanding balances with related parties

The amounts due from fellow subsidiaries, amounts due to the ultimate holding company and fellow subsidiaries are unsecured, interest-free and repayable on demand.

(d) The key management personnel of the Group comprises the directors of the Company. Further details of directors' emoluments are included in note 8 to the financial statements.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

At 31 March 2024

Financial assets

	Financial assets at fair value through other comprehensive income US\$	Financial assets at amortised cost US\$	Total US\$
Insurance policy	2,732,856	-	2,732,856
Trade and other receivables	-	15,794,414	15,794,414
Financial assets included in deposits and prepayments	-	1,044,677	1,044,677
Loan receivables	-	1,478,135	1,478,135
Amounts due from fellow subsidiaries	-	2,782,224	2,782,224
Non-pledged time deposits	-	449,355	449,355
Cash and cash equivalents	-	17,210,249	17,210,249
	<u>2,732,856</u>	<u>38,759,054</u>	<u>41,491,910</u>

Financial liabilities

	Financial liabilities at amortised cost US\$
Financial liabilities included in trade and other payables	23,689,226
Amount due to the ultimate holding company	3,577,543
Amounts due to fellow subsidiaries	8,082,159
Loans from non-controlling shareholders	225,000
Interest-bearing bank borrowings	22,072,518
Lease liabilities	3,319,238
	<u>60,965,684</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

28. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

At 31 March 2023

Financial assets

	Financial assets at fair value through other comprehensive income US\$	Financial assets at amortised cost US\$	Total US\$
Insurance policy	2,973,352	-	2,973,352
Trade and other receivables	-	13,365,729	13,365,729
Financial assets included in deposits and prepayments	-	1,052,739	1,052,739
Loan receivables	-	119,778	119,778
Non-pledged time deposits	-	1,003,792	1,003,792
Cash and cash equivalents	-	14,659,243	14,659,243
	<u>2,973,352</u>	<u>30,201,281</u>	<u>33,174,633</u>

Financial liabilities

	Financial liabilities at amortised cost US\$
Financial liabilities included in trade and other payables	16,719,696
Amount due to the ultimate holding company	4,338,831
Amounts due to fellow subsidiaries	7,255,031
Loans from non-controlling shareholders	305,000
Interest-bearing bank borrowings	26,445,804
Lease liabilities	2,241,783
	<u>57,306,145</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following table provides the fair value measurement hierarchy of the Group's financial instruments as at 31 March 2024 and 2023:

Assets measured at fair value:

	Fair value measurement using			Total US\$
	Quoted prices in active markets (Level 1) US\$	Significant observable inputs (Level 2) US\$	Significant unobservable inputs (Level 3) US\$	
At 31 March 2024				
Interest in insurance policy	-	2,732,856	-	2,732,856
At 31 March 2023				
Interest in insurance policy	-	2,973,352	-	2,973,352

During the year, there were no transfers of fair value measurement between Level 1 and Level 2, and no transfer into or out of Level 3 for financial liabilities (2023: Nil).

The fair value of interest in insurance policy is derived from the quoted prices provided by financial institutions.

Management has assessed that the fair values of the Group's financial instruments other than financial assets at fair value through other comprehensive income approximate to their carrying amounts largely due to the short term maturities of these instruments.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

All the Group's cash and cash equivalents are held in major financial institutions, which management believes are of high credit quality.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2024 and 2023. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

31 March 2024

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Simplified approach US\$	Total US\$
Trade and other receivables*	262,857	-	-	15,531,557	15,794,414
Deposits^	1,044,677	-	-	-	1,044,677
Amounts due from fellow subsidiaries					
- Not yet past due	2,782,224	-	-	-	2,782,224
Loan receivables					
- Not yet past due	1,478,135	-	-	-	1,478,135
Non-pledged time deposits					
- Not yet past due	449,355	-	-	-	449,355
Cash and cash equivalents					
- Not yet past due	17,210,249	-	-	-	17,210,249
	<u>23,227,497</u>	<u>-</u>	<u>-</u>	<u>15,531,557</u>	<u>38,759,054</u>

31 March 2023

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Simplified approach US\$	Total US\$
Trade and other receivables*^	401,998	-	-	12,964,081	13,366,079
Deposits^	1,052,739	-	-	-	1,052,739
Loan receivables					
- Not yet past due	119,778	-	-	-	119,778
Non-pledged time deposits					
- Not yet past due	1,003,792	-	-	-	1,003,792
Cash and cash equivalents					
- Not yet past due	14,659,243	-	-	-	14,659,243
	<u>17,237,550</u>	<u>-</u>	<u>-</u>	<u>12,964,081</u>	<u>30,201,631</u>

31 March 2024

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

- * For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the financial statements.
- ^ The credit quality of the financial assets included in other receivables and deposits is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Foreign currency risk

The Group operates in various operating regions and is exposed to market risk arising from changes in currency exchange rates. Foreign exchange risk arises from changes in foreign exchange rates of foreign-currency denominated activities in commercial transactions.

As a method to hedge transactions denominated in foreign currencies other than US\$, the Group endeavors with natural hedge by matching cash flows operation in the same local currency. The Group manages its foreign currency trading risk with trading policies and close monitoring of adherence to such policies.

The Group’s transaction currency exposures arise from cash and cash equivalent and payment denominated in currencies other than the functional currencies, primarily Hong Kong dollar (“HKD”), Indonesian Rupiah (“IDR”), Vietnamese Dong (“VND”) and Bangladeshi taka (“BDT”).

Since Hong Kong dollar is pegged to the United States dollar, the Group’s exposure to foreign currency risk in respect of the financial instruments denominated in Hong Kong dollar is considered to be minimal.

Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. Due to the dynamic business nature, the Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings, including term loans, bank overdrafts, discounted bills and trust receipt loans.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities, including issued financial guarantee contracts at 31 March based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period.

2024

	On demand US\$	Less than 12 months US\$	1 to 5 years US\$	5 years US\$	Total US\$
Financial liabilities included in					
trade and other payables	-	21,832,677	2,000,000	-	23,832,677
Lease liabilities	-	728,888	1,702,157	2,446,709	4,877,754
Amount due to the ultimate					
holding company	3,577,543	-	-	-	3,577,543
Amounts due to fellow					
subsidiaries	8,082,159	-	-	-	8,082,159
Interest-bearing					
bank borrowings#	1,279,893	18,516,707	3,364,297	75,753	23,236,650
Loans from non-controlling					
shareholders	225,000	-	-	-	225,000
	<u>13,164,595</u>	<u>41,078,272</u>	<u>7,066,454</u>	<u>2,522,462</u>	<u>63,831,783</u>

2023

	On demand US\$	Less than 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Total US\$
Financial liabilities included in					
trade and other payables	-	16,279,676	470,473	-	16,750,149
Lease liabilities	-	273,541	958,032	2,777,991	4,009,564
Amount due to the ultimate					
holding company	4,338,831	-	-	-	4,338,831
Amounts due to fellow					
subsidiaries	7,255,031	-	-	-	7,255,031
Interest-bearing					
bank borrowings#	749,908	22,812,769	3,591,202	-	27,153,879
Loans from non-controlling					
shareholders	305,000	-	-	-	305,000
	<u>12,648,770</u>	<u>39,365,986</u>	<u>5,019,707</u>	<u>2,777,991</u>	<u>59,812,454</u>

Ignored the effect of repayment on demand clauses

31 March 2024

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank and other borrowings with floating interest rates. The Group mitigates the risk by monitoring closely the movements in interest rates and reviewing its banking facilities regularly. The Group has not used any interest rate swap to hedge its exposure to interest rate risk.

As at 31 March 2024, if the interest rates on borrowings had been 100 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year would have decreased/increased by US\$121,170 (2023: US\$95,476) as a result of higher/lower interest expenses on interest-bearing bank and other borrowings with floating interest rates.

Capital management

The primary objectives of the Group's capital management are to (i) safeguard the Group's ability to continue as a going concern; (ii) provide returns for shareholders and benefits for other stakeholders; (iii) support the Group's stability and growth; and (iv) 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. The Group is not subject to any externally imposed capital requirement. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2024 and 31 March 2023.

Capital of the Group comprises all components of shareholders' equity.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 US\$	2023 US\$
NON-CURRENT ASSETS		
Property, plant and equipment	1,309	4,919
Interests in subsidiaries	22,244,961	15,556,511
Financial assets at fair value through other comprehensive income	2,732,857	2,973,352
Loan receivables	243,193	-
Deposits	25,000	-
Total non-current assets	<u>25,247,320</u>	<u>18,534,782</u>
CURRENT ASSETS		
Trade and other receivables	10,199,217	9,856,405
Amounts due from subsidiaries	1,371,692	-
Loans to subsidiaries	654,704	2,910,038
Deposits and prepayment	465,130	271,489
Loan receivable	1,093,904	100,856
Time deposits	-	1,003,792
Cash and cash equivalents	9,397,760	8,040,774
Total current assets	<u>23,182,407</u>	<u>22,183,354</u>
CURRENT LIABILITIES		
Trade and other payables	6,334,112	2,140,082
Amounts due to subsidiaries	5,291,303	5,344,089
Amount due to the ultimate holding company	3,423,130	4,314,126
Amounts due to fellow subsidiaries	8,006,712	6,313,791
Consideration payable to a non-controlling interest	-	517,074
Interest-bearing bank and other borrowings	2,639,321	2,865,563
Total current liabilities	<u>25,694,578</u>	<u>21,494,725</u>
NET CURRENT (LIABILITIES)/ASSETS	<u>(2,512,171)</u>	<u>688,629</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>22,735,149</u>	<u>19,223,411</u>
NON-CURRENT LIABILITIES		
Other payables	<u>1,981,424</u>	<u>413,021</u>
Net assets	<u>20,753,725</u>	<u>18,810,390</u>

Continued/...

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2024 US\$	2023 US\$
EQUITY		
Share capital	9,060,000	9,060,000
Reserves (note)	<u>11,693,725</u>	<u>9,750,390</u>
	<u>20,753,725</u>	<u>18,810,390</u>

.....
Deepak Kumar SETH
Director

.....
Pulkit SETH
Director

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share option reserve US\$	Revaluation reserve US\$	Retained profits US\$	Total US\$
At 1 April 2022	-	261,630	9,582,697	9,844,327
Profit for the year	-	-	581,755	581,755
Other comprehensive income for the year:				
Change in fair value of financial assets at fair value through other comprehensive income	-	68,447	-	68,447
Equity-settled share option arrangements	5,861	-	-	5,861
Final dividend 2022	-	-	(250,000)	(250,000)
Interim dividend 2023	-	-	(500,000)	(500,000)
At 31 March 2023 and 1 April 2023	5,861	330,077	9,414,452	9,750,390
Profit for the year	-	-	3,974,759	3,974,759
Other comprehensive loss for the year:				
Change in fair value of financial assets at fair value through other comprehensive income	-	(240,495)	-	(240,495)
Equity-settled share option arrangements	9,071	-	-	9,071
Final dividend 2023	-	-	(500,000)	(500,000)
Interim dividend	-	-	(1,300,000)	(1,300,000)
At 31 March 2024	<u>14,932</u>	<u>89,582</u>	<u>11,589,211</u>	<u>11,693,725</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

32. DIVIDENDS

	2024 US\$	2023 US\$
Proposed final – US\$0.31 cent (2023: US\$0.31 cent) per ordinary share	-	500,000
Interim – US\$0.81 cent (2023: US\$0.31 cent) per ordinary share	<u>1,300,000</u>	<u>500,000</u>
	<u>1,300,000</u>	<u>1,000,000</u>

33. COMPARATIVE AMOUNTS

Certain reclassification adjustments have been made in the financial statements as in the opinion of the directors, the adjustments better reflect the financial position, financial performance and cash flows for the year then ended of the Group. Accordingly, certain comparative figures have been reclassified to conform with the current year presentation.

34. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 15 May 2024.