

Report of the Directors and Audited Financial Statements

PEARL GLOBAL (HK) LIMITED

31 March 2022

PEARL GLOBAL (HK) LIMITED

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PEARL GLOBAL (HK) LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Group for the year ended 31 March 2022.

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 2022 and the Group's financial position at that date are set out in the financial statements on pages 6 to 54.

The directors recommend the payment of a final dividend of approximately US0.16 cent per ordinary share totalling US\$250,000 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
Shefali 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 ensuring 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 the Company's subsidiaries or fellow subsidiaries was a party during the year.

Permitted indemnity provisions

During the year ended 31 March 2022, 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

Event after the reporting period

Details of the significant events of the Group after the reporting period are set out in note 30 to the financial statements.

Auditors

During the year, Louis Lai & Luk CPA Limited resigned as auditor of the Company and Ernst & Young were appointed by the directors to fill the casual vacancy so arising. A resolution for the reappointment of Ernst & Young as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD



.....
Deepak Kumar SETH
Chairman

Hong Kong
18 May 2022



Ernst & Young
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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 54, which comprise the consolidated statement of financial position as at 31 March 2022, 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 a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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
18 May 2022

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2022

	Notes	2022 US\$	2021 US\$
REVENUE	5	275,129,493	104,559,596
Cost of sales		(250,294,810)	(91,623,951)
Gross profit		24,834,683	12,935,645
Other income and gains, net	5	723,379	727,419
Administrative expenses		(18,136,180)	(10,089,189)
Other operating expenses		(2,471,030)	(1,182,230)
Finance costs	6	(1,250,325)	(834,642)
PROFIT BEFORE TAX	7	3,700,527	1,557,003
Income tax expense	9	(218,132)	(67,861)
PROFIT FOR THE YEAR		<u>3,482,395</u>	<u>1,489,142</u>
Attributable to:			
Owner of the parent		3,219,024	1,458,729
Non-controlling interests		<u>263,371</u>	<u>30,413</u>
		<u>3,482,395</u>	<u>1,489,142</u>

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2022

	2022 US\$	2021 US\$
PROFIT FOR THE YEAR	<u>3,482,395</u>	<u>1,489,142</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations, net	339,975	(42,648)
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	66,833	75,888
Remeasurement loss on defined benefit obligations, net of tax	(118,855)	(14,790)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>287,953</u>	<u>18,450</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>3,770,348</u>	<u>1,507,592</u>
Attributable to:		
Owner of the parent	3,542,731	1,490,013
Non-controlling interests	<u>227,617</u>	<u>17,579</u>
	<u>3,770,348</u>	<u>1,507,592</u>

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2022

	Notes	2022 US\$	2021 US\$
NON-CURRENT ASSETS			
Property, plant and equipment	10	11,774,388	10,034,203
Right-of-use assets	11(a)	7,392,112	3,896,119
Goodwill	12	1,932,750	1,932,750
Financial assets at fair value through other comprehensive income	13	2,904,908	2,838,072
Loan receivables	14	-	2,936,371
Deposits and prepayments		69,591	69,766
Deferred tax assets	15	118,463	104,031
Total non-current assets		<u>24,192,212</u>	<u>21,811,312</u>
CURRENT ASSETS			
Inventories	16	18,130,813	5,826,108
Trade and other receivables	17	38,265,132	17,639,177
Deposits and prepayment		2,373,407	2,234,629
Cash and cash equivalents		7,588,450	4,535,197
Total current assets		<u>66,357,802</u>	<u>30,235,111</u>
CURRENT LIABILITIES			
Trade and other payables	18	11,408,934	8,176,929
Amount due to the ultimate holding company	25(c)	5,207,429	1,917,422
Amounts due to fellow subsidiaries	25(c)	19,665,821	9,505,147
Interest-bearing bank borrowings	20	24,186,045	13,837,686
Other borrowings	20	2,846,545	-
Lease liabilities	11(b)	192,936	113,299
Tax payable		128,546	27,478
Total current liabilities		<u>63,636,256</u>	<u>33,577,961</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>2,721,546</u>	<u>(3,342,850)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>26,913,758</u>	<u>18,468,462</u>

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2022

	Notes	2022 US\$	2021 US\$
NON-CURRENT LIABILITIES			
Amounts due to directors	25(c)	-	1
Loans from non-controlling shareholders	19	305,000	80,000
Interest-bearing bank borrowings	20	1,682,120	-
Defined benefit obligations	21	688,315	597,398
Lease liabilities	11(b)	2,572,575	2,808
Deferred tax liabilities	15	32,145	-
Total non-current liabilities		<u>5,280,155</u>	<u>680,207</u>
Net assets		<u>21,633,603</u>	<u>17,788,255</u>
EQUITY			
Share capital	22	9,060,000	9,060,000
Reserves		<u>9,070,591</u>	<u>5,527,860</u>
		18,130,591	14,587,860
Non-controlling interests		<u>3,503,012</u>	<u>3,200,395</u>
Total equity		<u>21,633,603</u>	<u>17,788,255</u>



Deepak Kumar SETH
Director



Pulkit SETH
Director

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2022

	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\$	Retained profits US\$	Total US\$		
At 1 April 2021	9,060,000	536,738	2,861	(162,853)	5,151,114	14,587,860	3,200,395	17,788,255
Profit for the year	-	-	-	-	3,219,024	3,219,024	263,371	3,482,395
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of foreign operation, net	-	-	339,968	-	-	339,968	7	339,975
Change in fair value of financial assets at fair value through other comprehensive income	-	66,833	-	-	-	66,833	-	66,833
Remeasurement loss on defined benefit obligations, net of tax	-	-	-	-	(83,094)	(83,094)	(35,761)	(118,855)
Total comprehensive income for the year	-	66,833	339,968	-	3,135,930	3,542,731	227,617	3,770,348
Capital contribution from a non-controlling shareholder	-	-	-	-	-	-	75,000	75,000
At 31 March 2022	9,060,000	603,571*	342,829*	(162,853)*	8,287,044*	18,130,591	3,503,012	21,633,603

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 March 2022

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Share capital	Revaluation reserve	Exchange fluctuation reserve	Other reserve	Retained profits	Total	US\$	US\$
At 1 April 2020	9,060,000	310,474	17,651	(162,853)	3,830,834	13,056,106	1,883,671	14,939,777
Profit for the year	-	-	-	-	1,458,729	1,458,729	30,413	1,489,142
Other comprehensive income/(loss) for the year:								
Exchange differences on translation of foreign operation, net	-	-	(14,790)	-	-	(14,790)	-	(14,790)
Change in fair value of financial assets at fair value through other comprehensive income	-	75,888	-	-	-	75,888	-	75,888
Remeasurement loss on defined benefit obligations, net of tax	-	-	-	-	(29,814)	(29,814)	(12,834)	(42,648)
Total comprehensive income/(loss) for the year	-	75,888	(14,790)	-	1,428,915	1,490,013	17,579	1,507,592
Disposal of subsidiaries	-	150,376	-	-	(108,655)	41,741	-	41,741
Allotment of preference shares to non-controlling shareholders	-	-	-	-	-	-	1,299,145	1,299,145
At 31 March 2021	9,060,000	536,738*	2,861*	(162,853)*	5,151,114*	14,587,860	3,200,395	17,788,255

* These reserve accounts comprise the reserves of US\$9,070,591 (2021: US\$5,527,860) in the consolidated statement of financial position.

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2022

	Notes	2022 US\$	2021 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		3,700,527	1,557,003
Adjustments for:			
Interest income	5	(35,228)	(169,677)
Gain on disposal of property, plant and equipment	5	(22,556)	(2,000)
Finance costs	6	1,250,325	834,642
Impairment of trade receivables	7	235,079	78,066
Write-down/(reversal of write-down) of inventories	7	(121,564)	291,840
Depreciation of property, plant and equipment	7	1,272,879	919,254
Depreciation of right-of-use assets	7	728,115	322,884
Employee benefits expenses, net	7	(48,206)	32,388
		6,959,411	3,864,400
Increase in inventories		(12,196,412)	(65,387)
Decrease/(increase) in deposits and prepayments		(150,637)	1,280,759
Decrease/(increase) in trade and other receivables		(20,812,993)	7,436,718
Increase in trade and other payables		1,582,650	2,588,548
Increase/(decrease) in amount due to fellow subsidiaries		12,962,748	(7,419,804)
Increase/(decrease) in amount due to ultimate holding company		3,402,388	(548,041)
		(8,252,845)	7,137,193
Cash generated from/(used in) operations		35,228	14,643
Interest received		(15,114)	(69,254)
Employee benefits paid		(1,014,373)	(824,028)
Interest paid for interest bearing bank and other borrowings		(43,669)	(61,964)
Overseas profits tax paid			
Net cash flows from/(used in) operating activities		(9,290,773)	6,196,590

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2022

	Notes	2022 US\$	2021 US\$
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of financial assets at fair value		-	(500,000)
other comprehensive income		-	1,881,394
Proceeds from disposal of subsidiaries		-	
Purchase of items of property, plant and equipment	(3,060,252)	(2,248,062)	
Proceeds from disposal of items of property, plant and equipment	33,457	25,882	
Repayment of loans receivables	-	377,012	
Increase in non-pledged time deposits with original maturity of more than three months when acquire	(1,059,181)	-	
Net cash flows used in investing activities	(4,085,976)	(463,774)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loan to a former director of a subsidiary	-	(30,000)	
Contribution from non-controlling shareholders	75,000	-	
New loan from non-controlling shareholder	225,000	-	
New bank and other borrowings	40,675,176	-	
Repayment for bank and other borrowings	(25,879,830)	(6,701,737)	
Principal portion of lease payments	(266,068)	(533,703)	
Interest portion of lease payments	(235,952)	(10,414)	
Cash flows from/(used in) financing activities	14,593,325	(7,275,854)	
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		1,535,485	(1,543,038)
Cash and cash equivalents at beginning of year		2,950,931	4,474,433
Effect of foreign exchange rate changes, net		418,215	19,536
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>4,904,631</u>	<u>2,950,931</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		6,529,269	4,535,197
Non-pledged time deposits with original maturities of more than three months when acquired		<u>1,059,181</u>	-
Cash and cash equivalents as stated in the consolidated statement of financial position		7,588,450	4,535,197
Non-pledged time deposits with original maturities of more than three months when acquired	(1,059,181)	-	
Bank overdrafts	(1,624,638)	(1,584,266)	
Cash and cash equivalents as stated in the consolidated statement cash flows		<u>4,904,631</u>	<u>2,950,931</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2022

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 2022 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	80	-	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

Pearl Global (Chang Zhou) Textile Technology Co., Ltd, wholly-owned direct subsidiary of the Company as at 31 March 2021 incorporated in the People's Republic of China, was dissolved during the year.

31 March 2022

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 2022. 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.

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.

31 March 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time in the current year's consolidated financial statements.

Amendment to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> beyond 30 June 2021 (early adopted)

The adoption of the above revised HKFRSs has had no significant financial effect on these consolidated financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied any of the new and revised HKFRSs, that have been issued but are not yet effective in the accounting year ended 31 March 2022, in these consolidated financial statements.

The Group is in the process of making an assessment of the impact of the new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT 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.

2.4 SUMMARY OF SIGNIFICANT 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.

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2.4 SUMMARY OF SIGNIFICANT 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.

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2.4 SUMMARY OF SIGNIFICANT 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.

2.4 SUMMARY OF SIGNIFICANT 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(a) Classification and measurement (continued)

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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits and assets similar in nature to cash, which are not restricted as to use.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Retirement benefit costs (continued)

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.

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.

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2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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 judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

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.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

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3. SIGNIFICANT ACCOUNTING ESTIMATES (continued)

Estimation uncertainties (continued)*Write-down of inventories to net realisable value*

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes provision for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The assessment of the provision amount required involves management judgements and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the inventories and the provision charge/write-back of provision for obsolete and slow-moving inventory items in the period in which estimate has been changed.

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:

	2022 US\$	2021 US\$
<i>Revenue from contracts with customers</i>		
Sales of goods	<u>275,129,493</u>	<u>104,559,596</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.

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5. OTHER INCOME AND GAINS, NET

	2022 US\$	2021 US\$
Bank interest income	2,100	14,643
Other interest income	33,128	155,034
Foreign exchange gains, net	-	60,202
Gain on disposal of property, plant and equipment, net	22,556	2,000
Sundry income	665,595	495,540
	<u>723,379</u>	<u>727,419</u>

6. FINANCE COSTS

	2022 US\$	2021 US\$
Interest on term loans	485,363	473,953
Interest on bank overdraft	113,215	83,868
Interest on other borrowings	415,795	266,207
Interest on lease liabilities	235,952	10,614
	<u>1,250,325</u>	<u>834,642</u>

7. PROFIT BEFORE TAX

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

	2022 US\$	2021 US\$
Cost of inventories sold	250,294,810	91,623,951
Depreciation of property, plant and equipment	1,669,868	919,254
Depreciation of right-of-use assets	381,017	322,884
Lease payments not included in the measurement of lease liabilities	317,994	349,471
Auditor's remuneration	211,302	45,154
Employee benefit expense (including directors' remuneration (note 8)):		
Salaries and allowances	20,205,120	12,882,804
Pension scheme contribution (defined contribution scheme)#	86,792	10,307
Pension scheme costs (defined benefit obligation)	(48,206)	32,388
Staff welfare	290,083	50,585
	<u>20,533,789</u>	<u>12,976,083</u>

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7. PROFIT BEFORE TAX (continued)

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

	2022 US\$	2021 US\$
Impairment of trade receivables, net [^]	287,757	51,268
Impairment of deposits and other receivables [^]	-	8,598
Write-down/(reversal of write-down) of inventories to net realisable value ^{^^}	(121,564)	291,840
Gain on disposal of property, plant and equipment, net	(22,556)	(2,000)
Loss on disposal of subsidiaries	-	18,200
Foreign exchange differences, net	<u>46,977</u>	<u>(60,202)</u>

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

[^] 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:

	2022 US\$	2021 US\$
Fees	-	-
Other emoluments:		
Salaries and allowances	<u>124,476</u>	<u>113,388</u>
	<u>124,476</u>	<u>113,388</u>

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2021: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

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9. INCOME TAX (continued)

	2022 US\$	2021 US\$
Current – Overseas		
Charge for the year	151,080	51,530
Underprovision in prior years	15,766	-
Deferred tax (note 15)	<u>51,286</u>	<u>16,331</u>
Total tax charge for the year	<u>218,132</u>	<u>67,861</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:

	2022 US\$	2021 US\$
Profit before tax	<u>3,700,527</u>	<u>1,557,003</u>
Tax at the applicable statutory tax rate of 15.4% (2021: 15.6%)	569,428	243,082
Adjustments in respect of current tax of previous periods	15,766	-
Expenses not deductible for tax	34,706,544	10,829,862
Income not subject to tax	(35,131,409)	(11,177,639)
Temporary differences not recognised	225,981	30,738
Tax losses utilised from previous periods	(363,554)	-
Tax losses not recognised	192,820	141,818
Others	<u>2,556</u>	<u>-</u>
Tax charge at the Group's effective rate of 5.9% (2021: 4.4%)	<u>218,132</u>	<u>67,861</u>

As at 31 March 2022, the Group has estimated tax losses arising in Vietnam and Bangladesh of US\$[3,424,420] (2021: US\$[5,381,005]), 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.

10. DIVIDENDS

	2022 US\$	2021 US\$
Proposed final – US0.16 cent (2021: Nil) per ordinary share	<u>250,000</u>	<u>-</u>

The proposed final dividend for the year is subject to the approval of the Group's shareholders at the forthcoming annual general meeting.

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10. PROPERTY, PLANT AND EQUIPMENT

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	Freehold Land US\$	Buildings US\$	Infrastructure 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 2021 and 1 April 2021:													
Cost	182,932	2,003,918	1,764,279	178,341	5,017,842	369,196	630,995	187,675	488,886	27,918	40,832	5,239,566	16,132,380
Accumulated depreciation	-	(150,908)	(1,025,459)	(142,904)	(3,470,588)	(256,021)	(584,030)	(102,578)	(328,786)	(22,955)	(13,948)	-	(6,098,177)
Net carrying amount	182,932	1,853,010	738,820	35,437	1,547,254	113,175	46,965	85,097	160,100	4,963	26,884	5,239,566	10,034,203
At 1 April 2021, net of accumulated depreciation	182,932	1,853,010	738,820	35,437	1,547,254	113,175	46,965	85,097	160,100	4,963	26,884	5,239,566	10,034,203
Additions	1,271,451	19,802	30,796	-	121,841	70,729	21,661	-	73,756	23,642	-	1,426,574	3,060,252
Disposals	-	(14,607)	(230)	-	-	-	(4,169)	-	-	-	-	-	(4,398)
Transfer	-	649,187	1,654,008	-	2,707,277	635,622	134,696	174,944	-	61,925	14,765	(6,028,113)	-
Depreciation provided during the year	-	(93,647)	(302,260)	(26,667)	(574,654)	(95,255)	(46,652)	(56,332)	(49,927)	(14,339)	(13,146)	-	(1,272,879)
Exchange realignment	-	-	1,986	-	(11,017)	(5,124)	297	(579)	3,275	349	390	(36,676)	(47,099)
At 31 March 2022	1,454,383	2,428,352	2,123,120	8,770	3,790,700	719,148	152,798	203,130	187,205	76,539	28,894	601,350	11,774,388
At 31 March 2022:													
Cost	1,454,383	2,672,907	3,453,385	178,341	7,845,622	1,069,998	819,774	295,567	438,447	146,326	56,454	601,350	19,032,555
Accumulated depreciation	-	(244,555)	(1,330,265)	(169,571)	(4,054,922)	(350,850)	(666,976)	(92,438)	(251,242)	(69,787)	(27,561)	-	(7,258,167)
Net carrying amount	1,454,383	2,428,352	2,123,120	8,770	3,790,700	719,148	152,798	203,130	187,205	76,539	28,893	601,350	11,774,388

PEARL GLOBAL (HK) LIMITED

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10. PROPERTY, PLANT AND EQUIPMENT

31 March 2021

	Land US\$	Building US\$	Infrastructure US\$	Leasehold Improvement US\$	Machineries US\$	Furniture and fixture US\$	Tools and equipment US\$	Office equipment US\$	Motor vehicle US\$	Computer US\$	Computer software US\$	Construction in progress US\$	Total US\$
At 1 April 2020:													
Cost	182,932	2,003,918	1,730,093	178,341	5,362,418	359,615	630,298	152,174	520,988	27,939	33,393	3,138,845	14,320,954
Accumulated depreciation	-	(82,372)	(901,067)	(116,277)	(3,433,717)	(552,939)	(552,939)	(81,440)	(281,643)	(20,069)	(10,289)	-	(5,696,753)
Net carrying amount	182,932	1,921,546	829,026	62,064	1,928,701	142,675	77,359	70,734	239,345	7,870	23,104	3,138,845	8,813,201
At 1 April 2020, net of accumulated depreciation	182,932	1,921,546	829,026	62,064	1,928,701	142,675	77,359	70,734	239,345	7,870	23,104	3,138,845	8,813,201
Additions	-	-	17,476	-	25,364	9,581	1,965	33,228	-	-	6,946	2,153,502	2,248,062
Disposals	-	-	-	-	(437)	-	-	-	(23,445)	-	-	-	(23,882)
Depreciation provided during the year	-	(68,536)	(115,891)	(26,627)	(415,441)	(39,081)	(32,359)	(19,850)	(10,221)	(2,907)	(3,483)	-	(780,863)
Exchange realignment	-	-	8,209	-	9,067	-	-	985	888	-	317	(2,781)	(33,315)
At 31 March 2021	182,932	1,853,010	738,820	35,437	1,547,254	113,175	46,965	85,097	160,100	4,963	26,884	5,239,566	10,034,203
At 31 March 2021:													
Cost	182,932	2,003,918	1,764,279	178,341	5,017,842	369,196	630,995	187,675	488,886	27,918	40,832	5,239,566	16,132,380
Accumulated depreciation	-	(150,908)	(1,025,459)	(142,904)	(3,470,588)	(256,021)	(584,030)	(102,578)	(328,786)	(22,955)	(13,948)	-	(6,098,177)
Net carrying amount	182,932	1,853,010	738,820	35,437	1,547,254	113,175	46,965	85,097	160,100	4,963	26,884	5,239,566	10,034,203

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

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11. LEASES

The Group has lease contracts for various items of office premises and factory with lease terms between 1 and 5 years. 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.

(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 US\$	Factory US\$	Machineries US\$	Total US\$
As at 1 April 2020	3,685,123	123,047	-	-	3,808,170
Additions	-	54,797	494,083	-	548,880
Depreciation charge	(140,089)	(121,017)	(200,169)	-	(461,275)
Exchange realignment	344	-	-	-	344
As at 31 March 2021 and 1 April 2021	3,545,378	56,827	293,914	-	3,896,119
Additions	-	135,302	3,909,144	210,418	4,254,864
Depreciation charge	(140,117)	(107,566)	(480,472)	-	(728,155)
Exchange realignment	189	(77)	(30,636)	(192)	(30,716)
As at 31 March 2022	<u>3,405,449</u>	<u>84,487</u>	<u>3,691,950</u>	<u>210,226</u>	<u>7,392,112</u>

(b) Lease liabilities

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

	2022 US\$	2021 US\$
As at 1 April	116,107	125,614
Additions	2,938,078	517,148
Accretion of interests	235,952	10,614
Payments	(502,332)	(537,269)
Exchange realignment	(22,294)	-
As at 31 March	<u>2,765,511</u>	<u>116,107</u>

PEARL GLOBAL (HK) LIMITED

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11. LEASES (continued)

(b) Lease liabilities (continued)

	2022 US\$	2021 US\$
Analysed into:		
Non-current portion	2,572,575	2,808
Current portion	192,936	113,299
	<u>2,765,511</u>	<u>116,107</u>

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

	2022 US\$	2021 US\$
Interest on lease liabilities	235,952	10,614
Depreciation of right-of-use assets	728,155	461,275
Lease payments not included in the measurement of lease liabilities	317,994	349,471
	<u>1,282,101</u>	<u>908,965</u>

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

	2022 US\$	2021 US\$
Within operating activities	317,994	349,471
Within financing activities	502,332	537,269
	<u>820,326</u>	<u>886,740</u>

PEARL GLOBAL (HK) LIMITED

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31 March 2022

12. GOODWILL

US\$

At 1 April 2020, 31 March 2021,
1 April 2021 and 31 March 2022

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% (2021: 10%), and the cash flows beyond the five-year period are extrapolated using an average growth rate of 3% (2021: 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.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 US\$	2021 US\$
Insurance policy	<u>2,904,908</u>	<u>2,838,072</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.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

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14. LOAN RECEIVABLES

	2022 US\$	2021 US\$
Loan receivables	<u>-</u>	<u>2,936,371</u>

An impairment analysis was performed on 31 March 2021 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 2021 were considered to be minimal.

15. DEFERRED TAX

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

2022

	Depreciation allowance in excess of related depreciation US\$	Right-of-use asset US\$	Defined benefit obligations US\$	Total US\$
At 1 April 2021	(4,752)	(2,808)	111,591	104,031
Deferred tax credited/(charged) to profit or loss during the year (note 9)	(22,872)	17,711	(13,931)	(19,091)
Deferred tax credited/(charged) to other comprehensive income during the year	<u>-</u>	<u>-</u>	<u>33,523</u>	<u>33,523</u>
At 31 March 2022	<u>(27,624)</u>	<u>14,903</u>	<u>131,183</u>	<u>118,463</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2022

15. DEFERRED TAX (continued)

2021

	Depreciation allowance in excess of related depreciation US\$	Right-of-use asset US\$	Defined benefit obligations US\$	Total US\$
At 1 April 2020	(7,400)	-	123,603	116,203
Deferred tax credited/(charged) to profit or loss during the year	(3,852)	-	7,125	3,273
Deferred tax credited/(charged) to other comprehensive income during the year	-	-	10,297	10,297
Deferred tax credited/(charged) to profit or loss during the year due to changes in tax rates	6,500	(2,808)	(23,295)	(19,603)
Deferred tax credited/(charged) to other comprehensive income due to changes in tax rates	-	-	(6,139)	(6,139)
At 31 March 2021	<u>(4,752)</u>	<u>(2,808)</u>	<u>111,591</u>	<u>104,031</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

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16. INVENTORIES

	2022 US\$	2021 US\$
Raw materials	10,727,488	1,680,921
Work in progress	3,141,002	3,333,787
Finished goods	3,798,006	604,386
Good in transit	<u>669,643</u>	<u>531,140</u>
	18,336,139	6,150,234
Provision for inventories	<u>(205,326)</u>	<u>(324,126)</u>
	<u>18,130,813</u>	<u>5,826,108</u>

At 31 March 2022, the Group's inventories with a carrying amount of US\$2,000,000 (2021: US\$2,000,000) were pledged as security for the Group's bank loans.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2022

17. TRADE AND OTHER RECEIVABLES

	Notes	2022 US\$	2021 US\$
Trade receivables	(a)	38,386,449	16,372,709
Less: impairment	(a)	(235,079)	-
		38,151,370	16,372,709
Other receivables	(b)	113,762	1,266,468
		<u>38,265,132</u>	<u>17,639,177</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:

	2022 US\$	2021 US\$
At the beginning of the year	-	-
Impairment losses, net (note 7)	287,757	51,268
Amount written off as uncollectible	(52,678)	(51,268)
At the end of the year	<u>235,079</u>	<u>-</u>

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. The loss allowance is determined as follows:

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

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2022

17. TRADE AND OTHER RECEIVABLES (continued)

(a) (continued)

As at 31 March 2022

	Current US\$	Past due				Total US\$
		Less than 1 month US\$	1 to 6 months US\$	6 to 12 months US\$	Over 12 months	
Gross carrying amount	33,293,346	1,915,917	3,177,178	8	-	38,386,449
Expected credit loss rate	[0.61]%	[0.61]%	[0.61]%	[0.61]%	N/A	0.61%
Expected credit losses	[203,889]	[11,733]	[19,457]	[-]	[-]	235,079

As at 31 March 2021

	Current US\$	Past due				Total US\$
		Less than 1 month US\$	1 to 6 months US\$	6 to 12 months US\$	Over 12 months	
Gross carrying amount	8,551,811	4,350,846	3,230,963	124,531	114,558	16,372,709
Expected credit loss rate	0%	0%	0%	0%	0%	0%
Expected credit losses	-	-	-	-	-	-

- (b) The carrying amount of other receivables approximated to their fair value as at 31 March 2022 and 2021. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit losses as at 31 March 2022 and 2021 were considered to be minimal.

18. TRADE AND OTHER PAYABLES

	Note	2022 US\$	2021 US\$
Trade payables	(a)	6,998,463	5,223,952
Other payables		1,305,713	1,054,859
Due to a related company	(b)	7,065	500,000
Accruals		3,097,694	1,398,118
		<u>11,408,935</u>	<u>8,176,929</u>

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

(b) [Due to a related company are non-interest-bearing and are normally settled within one year.]

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2022

19. LOAN FROM NON-CONTROLLING SHAREHOLDERS

The loan from non-controlling shareholders are unsecured, interest free and not expected to be repaid within one year.

20. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2022 US\$	2021 US\$
Current		
Secured:		
Term loans	11,609,234	10,402,828
Discounted bills	477,753	333,501
Trust receipt loans	10,474,420	1,517,091
Bank overdraft	1,624,638	1,584,266
Unsecured:		
Import loans	2,846,545	-
	<u>27,032,590</u>	<u>13,837,686</u>
Non-current		
Secured:		
Term loans	1,682,120	-
Unsecured:		
Loan from non-controlling shareholders	305,000	80,000
	<u>1,987,120</u>	<u>80,000</u>
	<u>29,019,710</u>	<u>13,917,686</u>

- (a) The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.
- (b) The bank borrowing facilities are secured by part of the Group's property, plant and equipment, inventories, and trade receivables, corporate guarantee of the ultimate holding company and a fellow subsidiary and directors' personal guarantee.
- (c) The contractual interest rate of the Group's borrowings in 2022 was 1.75% to 12.11% (2021: 1.75% to 12.11%)

31 March 2022

21. DEFINED BENEFIT OBLIGATIONS

The Group has made provision for estimated liabilities for employee benefits to meet the requirement under the Indonesian Labor Law for employees in Indonesia. Under the Indonesian Labor Law, companies are required to pay separation, appreciation and compensation benefits to their employees if the conditions specified in the Indonesian Labor Law are met.

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

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

	2022	2021
Discount rate	7.0%	7.5%
Expected rate of salary increase	3.0%	3.0%

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 2022				
Discount rate	1.0	(55,040)	1.0	63,707
Expected rate of salary increases	1.0	69,648	1.0	(60,861)
At 31 March 2021				
Discount rate	1.0	(44,997)	1.0	51,855
Expected rate of salary increases	1.0	41,797	1.0	(46,160)

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

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21. DEFINED BENEFIT OBLIGATIONS (continued)

The total expense/(income) recognised in profit or loss in respect of the defined benefit obligations is as follows:

	2022 US\$	2021 US\$
Interest cost	60,050	65,400
Current service cost	37,790	41,022
Past Service cost	(161,592)	(74,034)
Loss on settlement	<u>15,546</u>	<u>-</u>
Net benefit expense/(income)	<u>(48,206)</u>	<u>32,388</u>

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

	2022 US\$	2021 US\$
At 1 April	597,398	586,104
Net benefit expense	(48,206)	32,388
Actuarial gains arising from changes in:		
- financial assumptions	148,981	44,997
- demographic assumptions	(77)	(374)
Experience adjustments	3,475	2,183
Benefit paid	(15,114)	(69,254)
Exchange differences	<u>1,858</u>	<u>1,354</u>
At 31 March	<u>688,315</u>	<u>597,398</u>

22. SHARE CAPITAL

	2022 US\$	2021 US\$
Issued and fully paid:		
1,610,000 ordinary shares	<u>9,060,000</u>	<u>9,060,000</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

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23. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities are as follows:

	Loan from non-controlling shareholders US\$	Loan from a former director US\$	Term loans US\$	Lease liabilities US\$	Total US\$
At 1 April 2020	80,000	30,000	18,955,157	132,662	19,197,819
Changes from financing cash flow	-	(30,000)	(6,701,737)	(532,703)	(7,265,440)
New leases	-	-	-	517,148	517,148
Interest expense	-	-	473,953	10,414	484,367
Interest paid	-	-	(473,953)	(10,414)	(484,367)
At 31 March 2021 and at 1 April 2021	80,000	-	12,253,420	116,107	12,449,527
Changes from financing cash flows	225,000	-	14,612,450	(502,025)	14,335,425
New leases	-	-	-	2,937,963	2,937,963
Interest expense	-	-	603,912	235,951	839,863
Interest paid	-	-	(603,912)	-	(603,912)
Exchange realignment	-	-	-	(22,485)	(22,485)
At 31 March 2022	<u>305,000</u>	<u>-</u>	<u>26,865,870</u>	<u>2,765,511</u>	<u>29,936,381</u>

24. CONTINGENT LIABILITIES

The Group had undertaken the letters of credit of US\$1,825,370 (2021: US\$1,549,121) for [details need]. Accordingly, the Group has not made any provision arising from the letter of credit.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2022

25. 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	2022 US\$	2021 US\$
Fellow subsidiaries:			
Sales of products	(i)	64,358,892	15,787,604
Purchase of stocks	(ii)	117,783,839	40,185,015
Ultimate holding company:			
Sales of products	(i)	2,304,126	6,745,909
Purchase of stocks	(ii)	41,288,393	12,942,449
Design and Sampling fee	(iii)	-	583,925
Corporate guarantee charges	(iv)	<u>147,551</u>	<u>424,044</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) The fee was paid for the design and sampling fee provided by the ultimate holding company. The fee was charged pursuant to the [terms in the agreement]
- (iv) Miscellaneous expense were charged based on mutually agreed between the parties.
- (b) Other transaction with related parties
- The Group has guaranteed unlimited banking facilities granted to a fellow subsidiary as at 31 March 2022 and 2021, of which US\$[] (2021: US\$[]) was utilised by the fellow subsidiary.
- (c) Outstanding balances with related parties
- The 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

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26. 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 2022

Financial assets

	Financial assets at fair value through other comprehensive income US\$	Financial assets at amortised cost US\$	Total US\$
Insurance policy	2,904,908	-	2,904,908
Trade and other receivables	-	38,265,131	38,265,131
Financial assets included in deposits and prepayments	-	84,836	84,836
Cash and cash equivalents	-	7,588,450	7,588,450
	<u>2,904,908</u>	<u>45,938,417</u>	<u>48,843,325</u>

Financial liabilities

	Financial liabilities at amortised cost US\$
Financial liabilities included in trade and other payables	9,375,822
Amount due to the ultimate holding company	5,207,429
Amounts due to fellow subsidiaries	19,665,822
Loans from non-controlling shareholders	305,000
Interest-bearing bank and other borrowings	28,815,720
Lease liabilities	2,765,511
	<u>57,697,064</u>

PEARL GLOBAL (HK) LIMITED

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31 March 2022

26. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

At 31 March 2021

Financial assets

	Financial assets at fair value through other comprehensive income US\$	Financial assets at amortised cost US\$	Total US\$
Interest in an insurance policy	2,838,072	-	2,838,072
Loan receivables	-	2,936,371	2,936,371
Trade and other receivables	-	17,639,177	17,639,177
Financial assets included in deposits and prepayments	-	89,986	89,986
Cash and cash equivalents	-	4,535,197	4,535,197
	<u>2,838,072</u>	<u>25,200,731</u>	<u>28,038,803</u>

Financial liabilities

	Financial liabilities at amortised cost US\$
Financial liabilities included in trade and other payables	8,176,929
Amount due to the ultimate holding company	1,917,422
Amount due to fellow subsidiaries	9,505,147
Loans from non-controlling shareholders	80,000
Interest-bearing bank and other borrowings	13,837,686
Lease liabilities	116,107
	<u>33,633,291</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

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27. 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 2022 and 2021:

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 2022				
Interest in insurance policy	-	2,904,908	-	2,904,908
At 31 March 2021				
Interest in insurance policy	-	2,838,072	-	2,838,072

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 (2021: 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.

28. 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:

31 March 2022

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's exposure to credit risk mainly arises from granting credit to customers and other counterparties in the ordinary course of its operations.

Trade receivables

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are usually due within 30 to 90 days from the date of billing. Debtors with balances that are past due are usually requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

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.

Other financial assets at amortised cost

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

The credit quality of loan receivables are 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". All the other financial assets at amortised cost were considered to be normal as at 31 March 2022 and 31 March 2021.

Foreign currency risk

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 ("IRF"), 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.

The following table demonstrates the sensitivity to a reasonably possible change in exchange rates against US\$, with all other variables held constant, of the Group's profit before tax and the Group's equity.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

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28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Change in exchange rate %	Change in profit before tax US\$	Change in equity US\$
2022			
If the United States dollar weakens against IDR	10	(37,995)	(37,995)
If the United States dollar strengthen against IDR	(10)	37,995	37,995
If the United States dollar weakens against VND	10	(314,018)	535,855
If the United States dollar strengthen against VND	(10)	314,018	(535,855)
If the United States dollar weakens against BDT	10	(390,690)	80,420
If the United States dollar strengthen against BDT	(10)	390,690	(65,798)
2021			
If the United States dollar weakens against IDR	10	2,190	2,190
If the United States dollar strengthen against IDR	(10)	(2,190)	(2,190)
If the United States dollar weakens against VND	10	(853,491)	46,535
If the United States dollar strengthen against VND	(10)	853,491	(46,535)
If the United States dollar weakens against BDT	10	(199,799)	204,505
If the United States dollar strengthen against BDT	(10)	199,799	(167,322)

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.

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.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2022

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)**2022**

	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	-	9,375,822	-	-	9,375,822
Lease liabilities	-	[192,936]	[2,572,575]	[-]	[2,765,511]
Amount due to the ultimate					
holding company	5,207,429	-	-	-	5,207,429
Amounts due to fellow subsidiaries	19,665,822	-	-	-	19,665,822
Interest-bearing bank and					
other borrowings#	9,151,758	12,495,596	4,003,575	217,236	25,868,165
Loans from non-controlling					
shareholders	=- 305,000	-	-	-	305,000
	<u>=-[34,330,009]</u>	<u>[22,064,354]</u>	<u>[6,576,150]</u>	<u>[217,236]</u>	<u>[63,187,749]</u>

2021

	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	-	8,176,929	-	-	8,176,929
Lease liabilities	-	113,895	2,894	-	116,789
Amount due to the ultimate					
holding company	1,917,422	-	-	-	1,917,422
Amounts due to fellow subsidiaries	9,505,147	-	-	-	9,505,147
Interest-bearing bank and					
other borrowings#	[1,584,266]	7,761,010	2,943,794	1,548,616	12,253,420]
Loans from non-controlling					
shareholders	=- 80,000	-	-	-	80,000
	<u>=-13,086,835</u>	<u>16,051,834</u>	<u>2,946,688</u>	<u>1,548,616</u>	<u>32,049,707</u>

Ignored the effect of repayment on demand clauses

31 March 2022

28. 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 2022, 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\$[3,347] (2021: US\$3,347) 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. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2022 and 31 March 2021.

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

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2022

29. 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:

	2022 US\$	2021 US\$
NON-CURRENT ASSETS		
Property, plant and equipment	8,528	553
Right-of-use assets	-	29,429
Interests in subsidiaries	16,383,057	17,642,521
Financial assets at fair value through other comprehensive income	2,904,906	2,838,072
Loan receivables	-	2,936,371
Total non-current assets	<u>19,296,491</u>	<u>23,446,946</u>
CURRENT ASSETS		
Trade and other receivables	29,613,150	9,878,229
Amount due from subsidiaries	6,005,570	-
Deposits and prepayment	9,482	4,329
Cash and cash equivalents	5,693,276	3,260,326
Total current assets	<u>41,321,478</u>	<u>13,142,884</u>
CURRENT LIABILITIES		
Trade and other payables	2,179,061	2,448,946
Amount due to the ultimate holding company	7,594,670	2,754,774
Amounts due to fellow subsidiaries	23,825,961	9,186,667
Interest-bearing bank and other borrowings	8,113,950	6,566,653
Lease liabilities	-	28,123
Total current liabilities	<u>41,713,642</u>	<u>20,985,163</u>
NET CURRENT LIABILITIES	<u>(392,164)</u>	<u>(7,842,279)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>18,904,327</u>	<u>15,604,667</u>

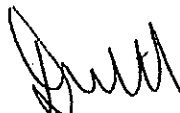
PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2022

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

	2022 US\$	2021 US\$
NON-CURRENT LIABILITIES		
Lease liabilities	-	2,808
Net assets	18,904,327	15,601,859
EQUITY		
Share capital	9,060,000	9,060,000
Reserves (note)	9,844,327	6,541,859
	18,904,327	15,601,859


Deepak Kumar SETH
Director


Pulkit SETH
Director

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2022

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

Note:

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

	Revaluation reserve US\$	Retained profits US\$	Total US\$
At 1 April 2020	124,791	4,461,848	4,586,639
Profit for the year	-	1,885,214	1,885,214
Other comprehensive income for the year:			
Change in fair value of financial assets at fair value through other comprehensive income	<u>70,006</u>	<u>-</u>	<u>70,006</u>
At 31 March 2021 and 1 April 2021	194,797	6,347,062	6,541,859
Profit for the year	-	3,235,635	3,235,635
Other comprehensive income for the year:			
Change in fair value of financial assets at fair value through other comprehensive income	<u>66,833</u>	<u>-</u>	<u>66,833</u>
At 31 March 2022	<u>261,630</u>	<u>9,582,697</u>	<u>9,844,327</u>

30. EVENT AFTER THE REPORTING PERIOD

On 22 April 2022, the Group acquired a 52.11% interest in Alpha Clothing Limited, which engages in the manufacture of garment products in Bangladesh, at a consideration of US\$1,050,000. The Group has acquired Alpha Clothing Limited to further expand its production capacity.

31. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation. The directors consider that such reclassifications will allow a more appropriate presentation of the Group's financial position, financial performance and cash flows and better reflect the nature of the transactions.

32. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 18 May 2022.