

PEARL GRASS CREATIONS LIMITED

REPORTS

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2020

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

PEARL GRASS CREATIONS LIMITED

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PEARL GRASS CREATIONS LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the annual audited financial statements of the Company for the year ended March 31, 2020.

PRINCIPAL ACTIVITY

The principal activity of the Company is trading of garment.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Company for the year ended March 31, 2020 and the financial position of the Company as at that date are set out in the financial statements on pages 7 to 9.

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

PLANT AND EQUIPMENT

Movements in plant and equipment are set out in Note (10) to the financial statements.

SHARE CAPITAL

Details of share capital of the Company are set out in Note (15) to the financial statements.

DIRECTORS

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

Deepak Kumar SETH	
Pulkit SETH	
Shefali SETH	
Sweta AGARWAL	
Gurusankar GURUMOORTHY	(Appointed on July 10, 2019)
Frank Petrus SMITS	(Resigned on July 10, 2019)

In accordance with Article 22 of the Company's Articles of Association, all the directors continue in office for the ensuing year.

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for the related party transactions as disclosed in Note (20) to the financial statements, no transactions, arrangements or contracts of significance to which the Company's immediate holding company or fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

PEARL GRASS CREATIONS LIMITED

REPORT OF THE DIRECTORS (CONT'D)

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

BUSINESS REVIEW

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

AUDITORS

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

On behalf of the Board



Deepak Kumar SETH
Chairman

Hong Kong, June 26, 2020.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA

黎劍民會計師

LUK WING HAY FCCA CPA (PRACTISING)

陸永熙會計師

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PEARL GRASS CREATIONS LIMITED
(incorporated in Hong Kong with limited liability)**

Opinion

We have audited the financial statements of Pearl Grass Creations Limited ("the Company") set out on pages 7 to 36, which comprise the statement of financial position as at March 31, 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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 Company in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note (2b) in the financial statements, which indicates that the Company incurred a loss of US\$208,831 for year ended March 31, 2020 and, as of that date, the Company had a capital deficiency of US\$1,564,206. As stated in Note (2b), these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Notwithstanding these conditions, the going concern basis has been adopted because the ultimate holding company has agreed to provide adequate funds for the Company to meet its liabilities as they fall due. Our opinion is not modified in respect of this matter.

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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
PEARL GRASS CREATIONS LIMITED
(incorporated in Hong Kong with limited liability)

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

The directors are responsible for the other information. The other information comprises the information included in the directors' report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
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(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap.622) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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INDEPENDENT AUDITOR'S REPORT (CONT'D)
TO THE MEMBERS OF
PEARL GRASS CREATIONS LIMITED
(incorporated in Hong Kong with limited liability)

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Louis Lai & Luk CPA Limited
Certified Public Accountants

Luk Wing Hay
Practising Certificate Number P01623

Hong Kong, June 26, 2020.

PEARL GRASS CREATIONS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR YEAR ENDED MARCH 31, 2020

	<u>NOTES</u>	<u>2020</u>	<u>2019</u>
		US\$	US\$
REVENUE	(5)	3,160,386	5,364,305
COST OF SALES		<u>(2,936,930)</u>	<u>(4,991,406)</u>
GROSS PROFIT		223,456	372,899
OTHER INCOME AND GAINS	(5)	1,420,422	302,064
DEPRECIATION EXPENSES		(327)	(163)
SELLING AND DISTRIBUTION COSTS		(4,004)	(81,824)
STAFF COSTS		(358,530)	(599,594)
OTHER OPERATING EXPENSES		<u>(1,489,848)</u>	<u>(874,863)</u>
LOSS FROM OPERATIONS		(208,831)	(881,481)
FINANCE COSTS	(6)	<u>-</u>	<u>(109)</u>
LOSS BEFORE TAXATION	(7)	(208,831)	(881,590)
TAXATION	(9)	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR		(208,831)	(881,590)
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u><u>(208,831)</u></u>	<u><u>(881,590)</u></u>

THE NOTES ON PAGES 13 TO 36 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

PEARL GRASS CREATIONS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

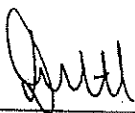
	NOTES	2020	2019
		US\$	US\$
Non-current Assets			
Plant and equipment	(10)	491	818
Current Assets			
Trade and other receivables	(11)	2,208,258	402,006
Deposits and prepayment		7,223	32,992
Amounts due from fellow subsidiaries	(12)	1,026,788	1,000,776
Cash and cash equivalents		179,657	10,570
		3,421,926	1,446,344
Current Liabilities			
Bills payables		49,177	-
Accrued expenses		133,213	102,886
Amounts due to fellow subsidiaries	(13)	1,926,006	541,586
Amount due to immediate holding company	(13)	2,416,372	1,564,402
Amount due to ultimate holding company	(13)	31,855	83,663
Loan from an ex-director	(14)	30,000	-
		4,586,623	2,292,537
Net Current Liabilities		(1,164,697)	(846,193)
Total Assets Less Current Liabilities		(1,164,206)	(845,375)
Non-Current Liabilities			
Loan from immediate holding company	(14)	320,000	320,000
Loan from a shareholder	(14)	80,000	80,000
Loan from a director	(14)	-	110,000
		400,000	510,000
NET LIABILITIES		(1,564,206)	(1,355,375)

THE NOTES ON PAGES 13 TO 36 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

PEARL GRASS CREATIONS LIMITED
STATEMENT OF FINANCIAL POSITION (CONT'D)
AS AT MARCH 31, 2020

		<u>2020</u>	<u>2019</u>
		US\$	US\$
DEFICT			
Share capital	(15)	400,000	400,000
Accumulated losses		<u>(1,964,206)</u>	<u>(1,755,375)</u>
TOTAL DEFICT		<u><u>(1,564,206)</u></u>	<u><u>(1,355,375)</u></u>

APPROVED BY THE BOARD OF DIRECTORS ON JUNE 26, 2020 AND SIGNED ON BEHALF OF THE BOARD BY:



 Deepak Kumar SETH
 Director



 Pulkit SETH
 Director

THE NOTES ON PAGES 13 TO 36 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

PEARL GRASS CREATIONS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED MARCH 31, 2020

	<u>Share capital</u>	<u>Accumulated losses</u>	<u>Total</u>
	US\$	US\$	US\$
At April 1, 2018	400,000	(873,785)	(473,785)
Total comprehensive loss for the year	<u>-</u>	<u>(881,590)</u>	<u>(881,590)</u>
At March 31, 2019 and April 1, 2019	400,000	(1,755,375)	(1,355,375)
Total comprehensive loss for the year	<u>-</u>	<u>(208,831)</u>	<u>(208,831)</u>
At March 31, 2020	<u>400,000</u>	<u>(1,964,206)</u>	<u>(1,564,206)</u>

THE NOTES ON PAGES 13 TO 36 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

PEARL GRASS CREATIONS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
	US\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(208,831)	(881,590)
Adjustment for:		
Bank interest income	-	(20)
Depreciation	<u>327</u>	<u>163</u>
OPERATING LOSS BEFORE WORKING CAPITAL CHANGES	(208,504)	(881,447)
Decrease in inventories	-	148,962
Increase in trade and other receivables	(1,806,252)	(238,459)
Decrease/(Increase) in deposits and prepayment	25,769	(26,384)
Decrease in trade payable	-	(39)
Increase in bills payables	49,177	-
Increase in accrued expenses	30,327	52,738
Net receipt from/(payments to) fellow subsidiaries	1,358,408	(451,893)
Net receipt from immediate holding company	851,970	1,348,018
Net (payments to)/receipt from ultimate holding company	<u>(51,808)</u>	<u>33,006</u>
Net cash generated from/(used in) operating activities	<u>249,087</u>	<u>(15,498)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest income	-	20
Payments to acquire plant and equipment	<u>-</u>	<u>(981)</u>
Net cash used in investing activities	<u>-</u>	<u>(961)</u>

THE NOTES ON PAGES 13 TO 36 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

PEARL GRASS CREATIONS LIMITED

STATEMENT OF CASH FLOWS (CONT'D)

FOR THE YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
	US\$	US\$
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loan from an ex-director and net cash used in financing activities	(80,000)	-
	<u> </u>	<u> </u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	169,087	(16,459)
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	10,570	27,029
	<u> </u>	<u> </u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>179,657</u>	<u>10,570</u>

THE NOTES ON PAGES 13 TO 36 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

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

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

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

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

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

b. Going Concern

The Company has incurred a loss of US\$208,831 for the year ended March 31, 2020 and, as of that date, the Company had a capital deficiency of US\$1,564,206. Notwithstanding these conditions, the going concern basis has been adopted because the ultimate holding company has agreed to provide adequate funds for the Company to meet its liabilities as they fall due.

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

c. Changes in Accounting Policies and Disclosures

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Company. Of these, the following developments are relevant to the Company's financial statements:

- (i) HKFRS 16, *Leases*
- (ii) HK(IFRIC)-Int 23, *Uncertainty over Income Tax Treatments*
- (iii) Amendments to HKFRS 9, *Prepayment Features with Negative Compensation*
- (iv) Amendments to HKAS 19, *Plan Amendment, Curtailment or Settlement*
- (v) Amendments to HKAS 28, *Long-term Interests in Associates and Joint Ventures*
- (vi) Amendments to HKFRSs *Annual Improvements to HKFRSs 2015-2017 Cycle*

None of the developments have had a material effect on how the Company's results and financial position of the current or prior periods have been prepared or presented. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

d. Plant and Equipment

An item of plant and equipment is stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of plant and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

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

Office equipment	33.33%
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An item of plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

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

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

e. Leases

(i) Applicable from April 1, 2019

The Company assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value. (Alternatively) When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(ii) Applicable before April 1, 2019

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases.

f. Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

The Company's financial assets are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Financial Instruments (Cont'd)

(ii) Impairment loss on financial assets

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

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

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

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

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

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

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

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Financial Instruments (Cont'd)

(iii) Financial liabilities

The Company's financial liabilities initially measured at fair value, net of directly attributable cost incurred and are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

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

(v) Derecognition

The Company derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9/HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(vi) 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.

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

g. Impairment of Non-Financial Assets

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

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

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss and other comprehensive income in the period in which it arises, (only if there are revalued assets in the financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

i. Translation of Foreign Currency

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

j. Taxation

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred tax, if material, is charged or credited in the statement of profit or loss and other comprehensive income.

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

k. Revenue Recognition

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

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

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

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

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

(i) Sales of goods

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

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

l. Retirement Benefit Costs

The Company's contributions to the mandatory provident fund scheme are charged to the statement of profit or loss and other comprehensive income as incurred.

The Company's employees who have completed the required number of years of service to the Company are eligible for long service payments in the event of the termination of their employment.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Company to the end of reporting period.

m. Employee Benefits

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

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

n. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

o. Related Parties

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

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

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

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

o. Related Parties (Cont'd)

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

- (i) The entity and the Company are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a Company of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

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

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

3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Company 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 Company. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes in the objectives, policies or processes for managing capital were made during the years ended March 31, 2020 and March 31, 2019.

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Judgements

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

Revenue from contracts with customers

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

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

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

Provision for expected credit loss on trade receivables

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

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. REVENUE, OTHER INCOME AND GAINS

	<u>2020</u>	<u>2019</u>
	US\$	US\$
Revenue, other income and gains recognised during the year are as follows:		
Revenue:		
Sales of goods	3,160,386	5,364,305
Other income and gains:		
Bank interest income	-	20
Other income	1,420,000	301,000
Foreign exchange gains, net	422	1,044
	<u>1,420,422</u>	<u>302,064</u>
	<u>4,580,808</u>	<u>5,666,369</u>

6. FINANCE COSTS

	<u>2020</u>	<u>2019</u>
	US\$	US\$
Bank overdraft interest	-	109

7. LOSS BEFORE TAXATION

	<u>2020</u>	<u>2019</u>
	US\$	US\$
Loss before taxation is stated after charging/(crediting):		
Auditors' remuneration	17,079	2,828
Depreciation	327	163
Foreign exchange gains, net	(422)	(1,044)
Rental payment under operating lease	9,319	29,923
Staff cost (including directors' remuneration)		
- Staff salaries and allowance	357,654	598,083
- Staff welfare	298	412
- MPF contribution	578	1,099

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8. DIRECTORS' REMUNERATION

No fees or other emoluments were paid or payable to the directors during the year (2019: Nil).

9. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the Company made no estimated assessable profits for the year.

No deferred tax has been recognized in the financial statements on the grounds that the Company has no taxable/deductible temporary differences during the year.

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

	<u>2020</u>	<u>2019</u>
	US\$	US\$
Loss before taxation	<u>(208,831)</u>	<u>(881,590)</u>
Tax calculated at Hong Kong profits tax rate of 16.5% (2019: 16.5%)	(34,457)	(145,462)
Tax effect of non-taxable income	-	(3)
Tax effect on net tax allowance claimed	-	(162)
Tax effect of non-deductible expenses	54	27
Tax effect of tax losses not recognised	<u>34,403</u>	<u>145,600</u>
Tax charge for the year	<u>-</u>	<u>-</u>

PEARL GRASS CREATIONS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

10. PLANT AND EQUIPMENT

	Office equipment
<u>Cost</u>	US\$
At 1/4/2018	-
Additions	<u>981</u>
At 31/3/2019, 1/4/2019 and 31/3/2020	981

<u>Accumulated Depreciation</u>	
At 1/4/2018	-
Charge for the year	<u>163</u>
At 31/3/2019 and 1/4/2019	163
Charge for the year	<u>327</u>
At 31/3/2020	490

<u>Net Carrying Amount</u>	
At 31/3/2020	<u>491</u>
	=====
At 31/3/2019	<u>818</u>
	=====

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES

	<u>2020</u>	<u>2019</u>
	US\$	US\$
Trade receivables (Note a)		
- Third parties	961,495	51,268
Other receivables	<u>1,246,763</u>	<u>350,738</u>
	<u>2,208,258</u>	<u>402,006</u>

Note (a):	<u>2020</u>	<u>2019</u>
-----------	-------------	-------------

US\$ US\$

At March 31, the aging analysis of trade receivables that are not impaired is as follows:

Current	789,969	38,531
Past due		
Less than 30 days	122,181	-
31 to 90 days	10,469	-
91 to 365 days	-	12,737
Over 365 days	<u>38,876</u>	<u>-</u>
	<u>961,495</u>	<u>51,268</u>

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

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

Name of borrower	<u>Outstanding principal</u>		
	<u>At beginning of year</u>	<u>At end of year</u>	<u>Maximum outstanding</u>
	US\$	US\$	US\$
DSSP Global Limited ⁽¹⁾	834,753	855,942	855,942
PGIC Investment Limited ⁽²⁾	-	20,000	20,000
PT. Pinnacle Apparels ⁽²⁾	479	-	479
Vin Pearl Global Vietnam Limited ⁽¹⁾	<u>165,544</u>	<u>150,846</u>	165,544
	<u>1,000,776</u>	<u>1,026,788</u>	

⁽¹⁾ Fellow subsidiary, connected with Deepak Kumar SETH, Pulkit SETH and Sweta AGARWAL

⁽²⁾ Fellow subsidiary, connected with Deepak Kumar SETH, Pulkit SETH

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

13. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES

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

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

14. LOAN FROM IMMEDIATE HOLDING COMPANY, A SHAREHOLDER, A DIRECTOR AND AN EX-DIRECTOR

As at March 31, 2020, loan from a director was reclassified as loan from an ex-director which is unsecured, interest free and expected to be fully repayable within the coming twelve months from the end of the reporting period

As at March 31, 2019, the loan from immediate holding company, a shareholder and a director are unsecured, interest free and not expected to be fully repayable within the coming twelve months from the end of the reporting period.

15. SHARE CAPITAL

	<u>2020</u>	<u>2019</u>
	US\$	US\$
Issued and fully paid:		
400,000 ordinary shares	400,000	400,000

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

16. OPERATING LEASE COMMITMENT

At the end of reporting period, the Company had total outstanding commitments under non-cancellable operating leases falling due as follows:

	<u>2020</u>	<u>2019</u>
	US\$	US\$
Within one year	-	6,835

17. BANKING FACILITIES

General banking facilities granted by the bank to the Company and the related companies were secured by the Company's corporate guarantee and director's personal guarantee.

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

18. COMMITMENTS

At the end of reporting period, the Company did not have any significant capital commitments.

19. FINANCIAL INSTRUMENTS

Risk management

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

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

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

(a) Categories of financial assets and financial liabilities

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

	<u>2020</u>	<u>2019</u>
	US\$	US\$
Financial assets		
Financial assets measured as amortised cost		
Trade and other receivables	2,208,258	402,006
Deposits and prepayment	7,223	32,992
Amounts due from fellow subsidiaries	1,026,788	1,000,776
Cash and cash equivalents	<u>179,657</u>	<u>10,570</u>
	<u>3,421,926</u>	<u>1,446,344</u>

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of financial assets and financial liabilities (Cont'd)

	<u>2020</u>	<u>2019</u>
	US\$	US\$
Financial liabilities		
Financial liabilities measured as amortised cost		
Bills payables	49,177	-
Accrued expenses	133,213	102,886
Amounts due to fellow subsidiaries	1,926,006	541,586
Amount due to immediate holding company	2,416,372	1,564,402
Amount due to ultimate holding company	31,855	83,663
Loan from an ex-director	30,000	-
Loan from immediate holding company	320,000	320,000
Loan from a shareholder	80,000	80,000
Loan from a director	-	110,000
	<u>4,986,623</u>	<u>2,802,537</u>

(b) Credit risk

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

Trade receivables

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are usually due within 30-90 days from the date of billing. Debtors with balances that are past due are usually requested to settle all outstanding balances before any further credit is granted. Normally, the Company does not obtain collateral from customers. Trade receivables at the reporting date mainly comprise amounts receivable from sales of goods. No interest is charged on the trade receivables.

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

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONT'D)

(b) Credit risk (Cont'd)

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

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

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

Other financial assets at amortised cost

As at March 31, 2020, in addition to the cash and bank balances which are considered to have low credit risk, other financial assets at amortised cost of the Company include other receivables and deposits. No provision was made against the gross amount of other receivables, deposits and cash and bank balances because the directors of the Company considered the impact of the ECLs of these financial assets to be insignificant based on past credit history and the nature of these financial assets.

(c) Foreign currency risk

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

(i) Exposure to currency risk

The following table details the Company's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they related.

	(Expressed in US\$)		
	2020		
	HKD	VND	Total
Deposits and prepayment	-	7,223	7,223
Cash and cash equivalents	4,316	-	4,316
Trade and other payables	(936)	-	(936)
Net exposure arising from recognised assets and liabilities	3,380	7,223	10,603

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONT'D)

(c) Foreign currency risk (Cont'd)

(i) Exposure to currency risk (Cont'd)

	(Expressed in US\$)		
	2019		
	HKD	VND	Total
Deposits and prepayment	-	7,223	7,223
Cash and cash equivalents	7,162	-	7,162
Trade and other payables	<u>(2,507)</u>	<u>-</u>	<u>(2,507)</u>
Net exposure arising from recognised assets and liabilities	<u>4,655</u>	<u>7,223</u>	<u>11,878</u>

(ii) Sensitivity analysis

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

	2020		2019	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	US\$	US\$	US\$	US\$
Hong Kong Dollar (HKD)	282	(282)	389	(389)
Vietnamese Dong (VND)	<u>603</u>	<u>(603)</u>	<u>603</u>	<u>(603)</u>
	<u>885</u>	<u>(885)</u>	<u>992</u>	<u>(992)</u>

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

The stated changes represent Management's assessment of reasonably possible change in foreign exchange rates over the period until the end of next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong Dollar and the United States Dollar would be materially unaffected by any change in movement in value of the United States Dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Company's profit after tax and equity measured in the respective functional currencies, translated into Hong Kong Dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2019.

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity risk

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

(e) Interest rate risk

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

	<u>2020</u>	<u>2019</u>
	US\$	US\$
<i>Financial assets bearing variable interests:</i>		
Cash and cash equivalents	179,657	10,570
<i>Financial liabilities bearing variable interests:</i>		
Bills payables	<u>(49,177)</u>	<u>-</u>
	<u>130,480</u>	<u>10,570</u>

Sensitivity analysis

At March 31, 2020, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, interest income and profit before taxation for the year ended March 31, 2020 would increase/decrease by a net amount of US\$1,305 (2019: US\$106). The carrying amount of financial asset/liability measured at amortized cost and the carrying amount of financial asset/liability bearing interest rate measured at fair value would not be affected by the assumed 100 basis points increase/decrease in interest rate.

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

PEARL GRASS CREATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

20. RELATED PARTY TRANSACTIONS

During normal course of business, the Company had the following material transactions with its related parties below.

<u>Name of Company</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>2020</u>	<u>2019</u>
			US\$	US\$
Pearl Global Industries Limited	Ultimate holding company	Consultancy fee	36,000	72,000
DSSP Global Limited	Fellow subsidiary	Incentive expenses	-	1,500
		Management fee	103,333	75,000
		Marketing expenses	128,277	294,121
		Purchases	28,084	411,930
		Sales	-	37,299
Pearl Global Vietnam Company Limited	Fellow subsidiary	Purchase	<u>2,919,520</u>	<u>4,044,404</u>

21. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended March 31, 2020 and which have not been adopted in these financial statements. These include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, <i>Definition of a Business</i>	January 1, 2020
Amendments to HKAS 1 and HKAS 8, <i>Definition of Material</i>	January 1, 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, <i>Interest Rate Benchmark Reform</i>	January 1, 2020
Amendments to HKFRS 17, <i>Insurance Contracts</i>	January 1, 2021
Amendments to HKFRS 10 and HKAS 28, <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective for annual periods beginning on or after a date to be determined

The Company is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application.