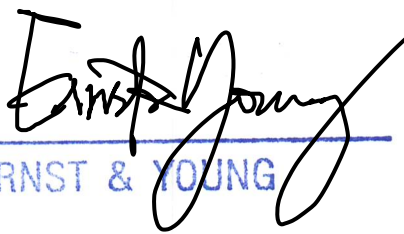


Report of the Directors and Audited Financial Statements

PEARL GRASS CREATIONS LIMITED

31 March 2024

CERTIFIED TRUE COPY


ERNST & YOUNG



PEARL GRASS CREATIONS LIMITED

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PEARL GRASS CREATIONS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2024.

Principal activity

The principal activity of the Company is trading of garment. There were no significant changes in the nature of the Company's principal activity during the year.

Results and dividends

The Company's profit for the year ended 31 March 2024 and the Company's financial position at that date are set out in the financial statements on pages 6 to 27.

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

Directors

The directors of the Company during the year were:

Deepak Kumar SETH
Gurusankar GURUMOORTHY
Pulkit SETH
Shifalli SETH
Sumit LATH

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

Directors' interests

At no time during the year was the Company, any of its holding companies or its 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, any of its holding companies or its fellow subsidiaries was a party during the year.

Permitted indemnity provisions

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

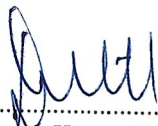
PEARL GRASS CREATIONS LIMITED

REPORT OF THE DIRECTORS (continued)

Auditors

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

ON BEHALF OF THE BOARD



.....
Deepak Kumar SETH
Chairman

Hong Kong
15 May 2024



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

安永會計師事務所
香港鰂魚涌英皇道 979 號
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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 6 to 27, which comprise the statement of financial position as at 31 March 2024, 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 material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2024, and of its financial performance and its cash flows for the year then ended in accordance with the 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 HKICPAs *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report (continued)
To the members of Pearl Grass Creations Limited
(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

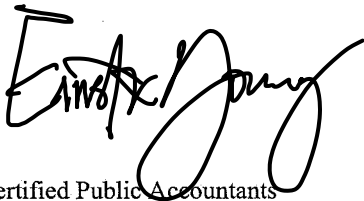
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent auditor's report (continued)
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 (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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Certified Public Accountants
Hong Kong
15 May 2024

PEARL GRASS CREATIONS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

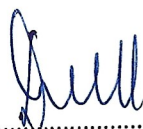
Year ended 31 March 2024

	Notes	2024 US\$	2023 US\$
REVENUE	4	60,156,797	51,083,437
Cost of sales		<u>(53,338,064)</u>	<u>(46,544,377)</u>
Gross profit		6,818,733	4,539,060
Other income	4	22,750	39,640
Administrative expenses		(4,101,657)	(1,937,438)
Other operating expenses		(182,252)	(167,178)
Finance costs	5	<u>(694,940)</u>	<u>(450,949)</u>
PROFIT BEFORE TAX	6	1,862,634	2,023,135
Income tax expense	8	<u>(265,364)</u>	<u>(114,066)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>1,597,270</u></u>	<u><u>1,909,069</u></u>

PEARL GRASS CREATIONS LIMITED
STATEMENT OF FINANCIAL POSITION

31 March 2024

	Notes	2024 US\$	2023 US\$
NON-CURRENT ASSETS			
Property, plant and equipment	9	-	-
CURRENT ASSETS			
Trade receivables	10	2,318,427	2,073,323
Prepayments and other receivables		297,634	109,156
Amounts due from fellow subsidiaries	15(b)	40,590	38,013
Amount due from the immediate holding company	15(b)	2,232,500	2,450,490
Inventories	11	1,237,039	317,887
Cash and cash equivalents		824,506	1,568,790
Total current assets		<u>6,950,696</u>	<u>6,557,659</u>
CURRENT LIABILITIES			
Trade payables		497,404	21,502
Other payables and accruals		92,848	414,821
Amounts due to fellow subsidiaries	15(b)	2,296,338	4,616,026
Amount due to the ultimate holding company	15(b)	-	24,705
Loan from the immediate holding company	15(b)	-	320,000
Loan from a shareholder	15(b)	-	80,000
Interest-bearing bank borrowings	12	1,120,867	-
Tax payable		379,430	114,066
Total current liabilities		<u>4,386,887</u>	<u>5,591,120</u>
NET CURRENT ASSETS		<u>2,563,809</u>	<u>966,539</u>
Net assets		<u>2,563,809</u>	<u>966,539</u>
EQUITY			
Share capital	13	400,000	400,000
Retained profits		<u>2,163,809</u>	<u>566,539</u>
Total equity		<u>2,563,809</u>	<u>966,539</u>



Deepak Kumar SETH
Director

Pulkit SETH
Director

PEARL GRASS CREATIONS LIMITED
STATEMENT OF FINANCIAL POSITION

31 March 2024

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Deepak Kumar SETH
Director


Pulkit SETH
Director

PEARL GRASS CREATIONS LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2024

	Share capital US\$	(Accumulated losses)/ retained profits US\$	(Net deficiency in assets)/ total equity US\$
At 1 April 2022	400,000	(1,342,530)	(942,530)
Profit and total comprehensive income for the year	<u>-</u>	<u>1,909,069</u>	<u>1,909,069</u>
At 31 March 2023 and 1 April 2023	400,000	566,539	966,539
Profit and total comprehensive income for the year	<u>-</u>	<u>1,597,270</u>	<u>1,597,270</u>
At 31 March 2024	<u>400,000</u>	<u>2,163,809</u>	<u>2,563,809</u>

PEARL GRASS CREATIONS LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2024

	Notes	2024 US\$	2023 US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,862,634	2,023,135
Adjustments for:			
Bank interest income	4	(5,134)	-
Finance costs	5	694,940	450,949
		<u>2,552,440</u>	<u>2,474,084</u>
Decrease/(increase) in trade receivables		(245,104)	1,769,936
Increase in prepayments		(188,478)	(55,969)
Increase in inventories		(919,152)	(317,887)
Increase/(decrease) in trade payables		475,902	(279,778)
Decrease in other payables and accruals		(321,973)	(258,347)
Changes in balances with fellow subsidiaries		(2,322,265)	2,561,598
Change in a balance with the immediate holding company		217,990	(4,289,681)
Change in a balance with the ultimate holding company		(24,705)	18,622
		<u>(775,345)</u>	<u>1,622,578</u>
Cash generated from/(used in) operations		5,134	-
Interest received		(694,940)	(450,949)
Interest paid			
		<u>(1,465,151)</u>	<u>1,171,629</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank borrowings	14	1,662,168	-
Repayment of bank borrowings	14	(541,301)	-
Repayment of loan from a shareholder	14	(80,000)	-
Repayment of loan from the immediate holding company	14	(320,000)	-
		<u>720,867</u>	<u>-</u>
Net cash flows from financing activities			
		<u>720,867</u>	<u>-</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		(744,284)	1,171,629
Cash and cash equivalents at beginning of year		1,568,790	397,161
		<u>1,568,790</u>	<u>397,161</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		<u>824,506</u>	<u>1,568,790</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<u>824,506</u>	<u>1,568,790</u>

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

1. CORPORATE INFORMATION

Pearl Grass Creations 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 is garment trading.

The Company is a wholly-owned subsidiary of Pearl Global (HK) Limited, a company incorporated in Hong Kong.

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

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention and are presented in United States dollars (“US\$”), which is also the Company’s functional currency.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

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

31 March 2024

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Amendments to HKAS 8 Definition of Accounting Estimates

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

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

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments had no impact on the Company's financial statements.

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback¹</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")^{1, 4}</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")¹</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements¹</i>
Amendments to HKAS 21	<i>Lack of Exchangeability²</i>

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES

Related parties

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

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

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

Office equipment	33 $\frac{1}{3}$ %
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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.

Impairment of non-financial assets

The Company 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 Company makes an estimate of the asset's recoverable amount.

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.

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets

Trade receivables that do not contain a significant financial component or for which the Company 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 Company 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.

(b) Impairment

The Company 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 Company 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 Company 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 Company considers a default has occurred when a financial asset is more than six months past due unless the Company 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 Company 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.

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

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 Company expects to be entitled in exchange for those goods or services.

Sale of garment

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

Other income

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

Cash and cash equivalents

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

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

Borrowing costs

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

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.

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Employee benefits

Retirement benefit costs

The Company 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 Company 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.

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 Company operates.

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

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.

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 Company 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 .

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

2.4 MATERIAL ACCOUNTING POLICIES (continued)

Foreign currency transactions

These financial statements are presented in US\$, which is the Company's functional currency.

Transactions in foreign currencies are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

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

Impairment of trade receivables

The impairment provisions for trade receivables are based on assumptions about expected credit losses. The Company 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 Company'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.

4. REVENUE AND OTHER INCOME

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

	2024 US\$	2023 US\$
<i>Revenue from contracts with customers</i>		
Sales of goods	<u>60,156,797</u>	<u>51,083,437</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.

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

4. REVENUE AND OTHER INCOME (continued)

Other income include the following:

	2024 US\$	2023 US\$
Bank interest income	5,134	-
Service charge to suppliers	16,898	33,025
Miscellaneous income	718	6,615
	<u>22,750</u>	<u>39,640</u>

5. FINANCE COSTS

	2024 US\$	2023 US\$
Interest on bank loans and trade financing	<u>694,940</u>	<u>450,949</u>

6. PROFIT BEFORE TAX

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

	2024 US\$	2023 US\$
Cost of inventories sold	53,338,064	46,544,377
Auditor's remuneration	6,600	6,357
Foreign exchange differences, net	5	(445)
Employee benefit expense:		
Salaries and allowances	78,046	81,915
Pension scheme contribution (defined contribution scheme)#	<u>3,905</u>	<u>3,657</u>
Total	<u>81,951</u>	<u>85,572</u>

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

7. DIRECTORS' REMUNERATION

No directors received any fees or emoluments in respect of their services rendered to the Company during the year (2023: Nil).

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The Company is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2023: HK\$2,000,000) of assessable profits of the Company are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

	2024 US\$	2023 US\$
Current		
Charge for the year	286,988	114,066
Overprovision in prior years	(21,624)	-
	<u>265,364</u>	<u>114,066</u>

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

	2024 US\$	2023 US\$
Profit before tax	<u>1,862,634</u>	<u>2,023,135</u>
Tax at the statutory tax rate of 16.5% (2023: 16.5%)	307,334	333,817
Adjustments in respect of current tax of previous periods	(21,624)	-
Lower tax rates enacted by local authority	(21,208)	(21,154)
Income not subject to tax	(7)	-
Expenses not deductible for tax	1,255	-
Tax losses utilised from previous period	-	(220,869)
Tax concession	(386)	(769)
Others	-	23,041
Tax charge at the effective rate of 14.2% (2023: 5.6%)	<u>265,364</u>	<u>114,066</u>

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

9. PROPERTY, PLANT AND EQUIPMENT

Office
equipment
US\$

At 31 March 2024 and 31 March 2023

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

Cost	981
Accumulated depreciation	(981)
Net carrying amount	-

10. TRADE RECEIVABLES

	Note	2024 US\$	2023 US\$
Trade receivables	(a)	<u>2,318,427</u>	<u>2,073,323</u>

- (a) The Company's trading terms with its customers are mainly on credit. The credit period is generally 60 days to 90 days. Trade receivables are non-interest-bearing. The Company does not hold any collateral or other credit enhancements over these trade receivables balances. At the end of the reporting period, the Company had certain concentration of credit risk at 78.6% (2023: 100%) and 96.7% (2023: 100%) of the Company's trade receivables were due from the Company's largest customer and five largest customers, respectively.

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

10. TRADE RECEIVABLES (continued)

- (b) The Company 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. As at 31 March 2024 and 31 March 2023, the loss allowance was assessed to be minimal.

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

As at 31 March 2024

	Current US\$	Past due			Total US\$
		Less than 1 month US\$	1 to 6 months US\$	Over 6 months US\$	
Gross carrying amount	2,316,896	1,531	-	-	2,318,427
Expected credit loss rate	0%	0%	0%	0%	0%
Expected credit losses	-	-	-	-	-

As at 31 March 2023

	Current US\$	Past due			Total US\$
		Less than 1 month US\$	1 to 6 months US\$	Over 6 months US\$	
Gross carrying amount	1,894,700	177,694	816	113	2,073,323
Expected credit loss rate	0%	0%	0%	0%	0%
Expected credit losses	-	-	-	-	-

11. INVENTORIES

	2024 US\$	2023 US\$
Raw materials	1,230,201	317,887
Finished goods	6,838	-
	<u>1,237,039</u>	<u>317,887</u>

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

12. INTEREST-BEARING BANK BORROWINGS

	2024 US\$	2023 US\$
Current		
Secured:		
Import loans	<u>1,120,867</u>	<u>-</u>

(a) The bank borrowing facilities are secured by part of the Company's inventories and trade receivables. The bank borrowings also have corporate guarantee provided by the immediate holding company and the ultimate holding company and personal guarantee provided by directors of the Company.

(b) The contractual interest rate of the Company's bank borrowings is at Secured Overnight Financing Rate plus 2.135% per annum.

(c) The bank borrowings are denominated in United States dollars.

13. SHARE CAPITAL

	2024 US\$	2023 US\$
Issued and fully paid:		
400,000 (2023: 400,000) ordinary shares	<u>400,000</u>	<u>400,000</u>

14. NOTES TO THE STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Loan from a shareholder US\$	Loan from the immediate holding company US\$	Interest-bearing bank borrowings US\$	Total US\$
At 1 April 2022, 31 March 2023 and 1 April 2023	80,000	320,000	-	400,000
Changes from financing cash flows	(80,000)	(320,000)	1,120,867	720,867
Interest expense	-	-	694,940	694,940
Interest paid classified as Operating cash flows	<u>-</u>	<u>-</u>	<u>(694,940)</u>	<u>(694,940)</u>
At 31 March 2024	<u>-</u>	<u>-</u>	<u>1,120,867</u>	<u>1,120,867</u>

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

15. RELATED PARTY TRANSACTIONS

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

	Notes	2024 US\$	2023 US\$
Fellow subsidiaries:			
Purchase of stocks	(i)	51,478,971	44,693,782
Management fee	(ii)	586,000	456,000
Ultimate holding company:			
IT system charges	(iii)	<u>38,082</u>	<u>59,123</u>

Notes:

- (i) The purchases of stocks were based on terms mutually agreed between the parties.
- (ii) Management fees were paid for the management and supporting services provided in the local office by fellow subsidiaries. The fee was charged based on mutually agreed terms.
- (iii) The fee was paid for the management and IT system supporting services provided by the ultimate holding company. The fee was charged based on mutually agreed terms.
- (b) Outstanding balances with related parties
- The balances with fellow subsidiaries, the immediate holding company and the ultimate holding company are unsecured, interest-free and repayable on demand.
- As at 31 March 2023, the loans from a shareholder and the immediate holding company were unsecured, interest-free and repayable on demand.
- The immediate holding company and the ultimate holding company have provided financial guarantees in connection with the banking facilities granted to the Company.
- (c) The key management personnel of the Company comprises the directors. Further details of directors' emoluments are included in note 7 to the financial statements.

16. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade and other receivables, amounts due from fellow subsidiaries and the immediate holding company, and cash and cash equivalents, which are categorised as financial assets at amortised cost. The carrying amounts of these financial assets are the amounts shown either on the statement of financial position or in notes to the financial statements.

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

16. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The financial liabilities of the Company comprise trade payables, financial liabilities included in other payables and accruals, amounts due to fellow subsidiaries and the ultimate holding company, loans from a shareholder and the immediate holding company and interest-bearing bank borrowings, which are categorised as financial liabilities at amortised cost. Except for the carrying amounts of financial liabilities included in other payables and accruals amounted to US\$92,847 (2023: US\$394,639), the carrying amounts of other financial liabilities are the amounts shown either on the statement of financial position or in notes to the financial statements.

17. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments and other receivables, trade payables, financial liabilities included in other payables and accruals, balances with fellow subsidiaries, balances with the immediate holding company, balances with the ultimate holding company, loan from a shareholder and interest-bearing bank borrowings reasonably approximate to their carrying amounts largely due to the short term maturities of these instruments or the effect of discounting is not material.

The Company did not have any financial assets and liabilities measured at fair value as at 31 March 2024 and 31 March 2023.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

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

Maximum exposure and year-end staging

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

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (conitued)

Maximum exposure and year-end staging (continued)

31 March 2024

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Simplified approach US\$	Total US\$
Trade receivables*	-	-	-	2,318,427	2,318,427
Other receivables					
- Normal**	180,484	-	-	-	180,484
Amounts due from fellow subsidiaries					
- Not yet past due	40,590	-	-	-	40,590
Amount due from the immediate holding company					
- Not yet past due	2,232,500	-	-	-	2,232,500
Cash and cash equivalents					
- Not yet past due	824,506	-	-	-	824,506
	<u>3,278,080</u>	<u>-</u>	<u>-</u>	<u>2,318,427</u>	<u>5,596,507</u>

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

31 March 2023

	12-month expected credit losses	Lifetime expected credit losses			
	Stage 1 US\$	Stage 2 US\$	Stage 3 US\$	Simplified approach US\$	Total US\$
Trade receivables*	-	-	-	2,073,323	2,073,323
Amounts due from fellow subsidiaries					
- Not yet past due	38,013	-	-	-	38,013
Amount due from the immediate holding company					
- Not yet past due	2,450,490	-	-	-	2,450,490
Cash and cash equivalents					
- Not yet past due	1,568,790	-	-	-	1,568,790
	<u>4,057,293</u>	<u>-</u>	<u>-</u>	<u>2,073,323</u>	<u>6,130,616</u>

* For trade receivables to which the Company applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 10 to the financial statements.

** The credit quality of the financial assets included in other receivables is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Interest rate risk

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

As at 31 March 2024, if the interest rates on borrowings had been 100 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year would have decreased/increased by US\$11,209 (2023: Nil) as a result of higher/lower interest expenses on interest-bearing bank and other borrowings with floating interest rates.

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2024

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Company aims to maintain sufficient cash and credit lines to meet its liquidity requirements. Due to the dynamic business nature, the Company finances its working capital requirements through a combination of funds generated from operations and bank borrowings.

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was either repayable on demand or less than one year.

Capital management

The primary objectives of the Company's capital management are to (i) safeguard the Company's ability to continue as a going concern; (ii) provide returns for shareholders and benefits for other stakeholders; (iii) support the Company's stability and growth; and (iv) 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 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 2024 and 31 March 2023.

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

19. APPROVAL OF THE FINANCIAL STATEMENTS

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