

Report of the Directors and Audited Financial Statements

PEARL GRASS CREATIONS LIMITED

31 March 2023



Building a better
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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 2023.

Principal activities

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

Results and dividends

The Company's profit for the year ended 31 March 2023 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 2023, 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

Auditors

Brist & 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



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Deepak Kumar SETH
Chairman

Hong Kong
5 May 2023

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 2023, 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 31 March 2023, 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 ("HKSA") 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.

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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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
5 May 2023

PEARL GRASS CREATIONS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2023

	Notes	2023 US\$	2022 US\$
REVENUE	4	51,083,437	27,469,346
Cost of sales		<u>(46,544,377)</u>	<u>(25,754,886)</u>
Gross profit		4,539,060	1,714,460
Other income	4	39,640	541,272
Administrative expenses		(1,937,438)	(1,254,054)
Other operating expenses		(167,178)	(230,711)
Finance costs	5	<u>(450,949)</u>	<u>(40,841)</u>
PROFIT BEFORE TAX	6	2,023,135	730,126
Income tax expense	8	<u>(114,066)</u>	<u>-</u>
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,909,069</u>	<u>730,126</u>

PEARL GRASS CREATIONS LIMITED

STATEMENT OF FINANCIAL POSITION

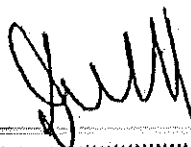
31 March 2023

	Notes	2023 US\$	2022 US\$
NON-CURRENT ASSETS			
Property, plant and equipment	9	-	-
CURRENT ASSETS			
Trade receivables	10	2,073,323	3,843,259
Prepayments		109,156	53,187
Amounts due from fellow subsidiaries	13(b)	38,013	1,959,167
Amount due from the immediate holding company	13(b)	2,450,490	-
Inventories	12	317,887	-
Cash and cash equivalents		1,568,790	397,161
Total current assets		6,557,659	6,252,774
CURRENT LIABILITIES			
Trade payables		21,502	301,280
Other payables and accruals		414,821	673,168
Amounts due to fellow subsidiaries	13(b)	4,616,026	3,975,582
Amount due to the immediate holding company	13(b)	-	1,839,191
Amount due to the ultimate holding company	13(b)	24,705	6,083
Loan from the immediate holding company	13(b)	320,000	-
Loan from a shareholder	13(b)	80,000	-
Tax payable	8	114,066	-
Total current liabilities		5,591,120	6,795,304
NET CURRENT ASSETS/(LIABILITIES)		966,539	(542,530)
TOTAL ASSETS LESS CURRENT LIABILITIES		966,539	(542,530)
NON-CURRENT LIABILITIES			
Loan from the immediate holding company	13(b)	-	320,000
Loan from a shareholder	13(b)	-	80,000
Total non-current liabilities		-	400,000
Net assets/(liabilities)		966,539	(942,530)

PEARL GRASS CREATIONS LIMITED
STATEMENT OF FINANCIAL POSITION (continued)

31 March 2023

	Notes	2023 US\$	2022 US\$
EQUITY	11	400,000	400,000
Share capital		566,539	(1,342,530)
Retained profits/(accumulated losses)			
Total equity/(net deficiency in assets)		<u>966,539</u>	<u>(942,530)</u>


Deepak Kumar SETHI
Director


Pulkit SETHI
Director

PEARL GRASS CREATIONS LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

	Share capital US\$	(Accumulated losses)/ retained profits US\$	(Net deficiency in assets)/ Total equity US\$
At 1 April 2021	400,000	(2,072,656)	(1,672,656)
Profit and total comprehensive income for the year	<u>-</u>	<u>730,126</u>	<u>730,126</u>
At 31 March 2022 and 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	<u>400,000</u>	<u>566,539</u>	<u>966,539</u>

PEARL GRASS CREATIONS LIMITED

STATEMENT OF CASH FLOWS

Year ended 31 March 2023

	Notes	2023 US\$	2022 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		2,023,135	730,126
Profit before tax			
Adjustments for:			
Finance costs	5	450,949	40,841
Depreciation of property, plant and equipment	6	-	164
		<u>2,474,084</u>	<u>771,131</u>
Decrease/(increase) in trade receivables		1,769,936	(2,836,773)
Increase in prepayments		(55,969)	(53,187)
Increase in inventories		(317,887)	-
(Decrease)/increase in trade payables		(279,778)	301,280
(Decrease)/increase in other payables and accruals		(258,347)	586,763
Changes in balances with fellow subsidiaries		2,561,598	982,709
Change in a balance with the immediate holding company		(4,289,681)	668,774
Change in a balance with the ultimate holding company		<u>18,622</u>	<u>(21,250)</u>
		<u>1,622,578</u>	<u>399,447</u>
Cash generated used in operations		(450,949)	(40,841)
Interest paid			
		<u>1,171,629</u>	<u>358,606</u>
Net cash flows from operating activities			
		<u>1,171,629</u>	<u>358,606</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		397,161	38,555
Cash and cash equivalents at beginning of year			
		<u>1,568,790</u>	<u>397,161</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		<u>1,568,790</u>	<u>397,161</u>
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<u>1,568,790</u>	<u>397,161</u>

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

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 immediate holding company of the Company is Pearl Global (HK) Limited, a company incorporated in Hong Kong. Subsequent to the year-end, the immediate holding company has entered into a sale and purchase agreement with the non-controlling party to acquire the remaining 20% equity interest in the Company. The Company will be a wholly-owned subsidiary of Pearl Global (HK) Limited upon completion.

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

2.1 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") (which include all applicable 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 requirements of the Hong Kong Companies. These financial statements have been prepared under the historical cost convention and are presented in United States dollars ("US\$").

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41</i>

The nature and impact of the revised HKFRSs has had no significant financial effect on these financial statements.

PEARL GRASS CREATIONS LIMITED
 NOTES TO FINANCIAL STATEMENTS

31 March 2023

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ²
HKFRS 17	<i>Insurance Contracts</i> ¹
Amendments to HKFRS 17	<i>Insurance Contracts</i> ^{1, 5}
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> ⁶
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> ^{2, 4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ¹
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> ¹
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ¹

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

² Effective for annual periods beginning on or after 1 January 2024

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, 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

⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

2.4 SUMMARY OF SIGNIFICANT 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.

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.

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.4 SUMMARY OF SIGNIFICANT 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 2023

2.4 SUMMARY OF SIGNIFICANT 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

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

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

Borrowing costs

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

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 2023

2.4 SUMMARY OF SIGNIFICANT 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.

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.

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

Deferred tax assets and deferred tax liabilities are offset if and only if the 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 .

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.

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

4. REVENUE AND OTHER INCOME

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

	2023 US\$	2022 US\$
<i>Revenue from contracts with customers</i>		
Sales of goods	<u>51,083,437</u>	<u>27,469,346</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.

Other income include the following:

	2023 US\$	2022 US\$
Service charge to suppliers	33,025	18,751
Service charge to customer	-	484,027
Miscellaneous income	<u>6,615</u>	<u>38,494</u>
	<u>39,640</u>	<u>541,272</u>

5. FINANCE COSTS

	2023 US\$	2022 US\$
Interest on trade financing	<u>450,949</u>	<u>40,841</u>

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

6. PROFIT BEFORE TAX

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

	2023 US\$	2022 US\$
Cost of inventories sold	46,544,377	25,754,886
Auditor's remuneration	6,357	6,566
Depreciation of property, plant and equipment	-	164
Foreign exchange differences, net	(445)	35
Employee benefit expense:		
Salaries and allowances	81,915	62,184
Pension scheme contribution (defined contribution scheme)#	3,657	1,937
	<u>85,572</u>	<u>64,121</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 (2022: Nil).

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 8.25% (2022: 8.25%) on the estimated assessable profits below HK\$2,000,000, and thereafter at the rate of 16.5% (2022: 16.5%) during the year.

No provision for Hong Kong profits was made for the prior year as the Company had available tax losses brought forward from prior years to offset the assessable profits generated during that year.

	2023 US\$	2022 US\$
Charge for the year	<u>114,066</u>	<u>-</u>

A reconciliation of the tax expenses applicable to profit before tax at the Hong Kong statutory rate to the tax charge at the Company's effective tax rate are as follows:

	2023 US\$	2022 US\$
Profit before tax	<u>2,023,135</u>	<u>730,126</u>
Tax at the Hong Kong statutory tax rate of 16.5% (2022: 16.5%)	333,817	120,471
Lower tax rates enacted by local authority	(21,154)	-
Temporary differences not recognised	-	(11)
Tax losses utilised from previous period	(220,869)	(120,460)
Tax concession	(769)	-
Others	<u>23,041</u>	<u>-</u>
Tax charge at effective rate	<u>114,066</u>	<u>-</u>

As at 31 March 2023, the Company has fully utilised the estimated tax losses (2022: US\$1,342,040) arising in Hong Kong by the taxable profits in the current year.

PEARL GRASS CREATIONS LIMITED
NOTES TO FINANCIAL STATEMENTS

31 March 2023

9. PROPERTY, PLANT AND EQUIPMENT

Office
equipment
US\$

At 31 March 2023 and 31 March 2022

At 1 April 2021:		981
Cost		(817)
Accumulated depreciation		
		<u>164</u>
Net carrying amount		
		164
At 1 April 2021, net of accumulated depreciation		(164)
Depreciation provided during the year		
		<u>-</u>
At 31 March 2022, net of accumulated depreciation		
		<u>-</u>
At 31 March 2022, 1 April 2022 and 31 March 2023:		981
Cost		(981)
Accumulated depreciation		
		<u>-</u>
Net carrying amount		
		<u>-</u>

10. TRADE RECEIVABLES

	Notes	2023 US\$	2022 US\$
Trade receivables	(a)	<u>2,073,323</u>	<u>3,843,259</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 balances.

PEARL GRASS CREATIONS LIMITED
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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 2023 and 31 March 2022, 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 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	-	-	-	-	-

As at 31 March 2022

	Current US\$	Past due			Total US\$
		Less than 1 month US\$	1 to 6 months US\$	Over 6 months US\$	
Gross carrying amount	3,807,971	-	35,288	-	3,843,259
Expected credit loss rate	0%	0%	0%	0%	0%
Expected credit losses	-	-	-	-	-

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

11. SHARE CAPITAL

	2023 US\$	2022 US\$
Issued and fully paid: 400,000 (2022: 400,000) ordinary shares	<u>400,000</u>	<u>400,000</u>

12. INVENTORIES

	2023 US\$	2022 US\$
Raw materials	<u>317,887</u>	<u>-</u>

13. 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	2023 US\$	2022 US\$
Fellow subsidiaries:			
Purchase of stocks	(i)	44,693,782	24,281,892
Management fee	(ii)	456,000	-
Ultimate holding company:			
Purchase of stocks	(i)	-	92,109
IT system charges	(iii)	<u>59,123</u>	<u>25,538</u>

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

13. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)
Notes:

- (i) The purchases of stocks were based on terms mutually agreed between the parties.
- (ii) The 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. The loans

The immediate holding company has provided unlimited financial guarantees in connection with the banking facilities granted to the Company. The loans from the immediate holding company and a shareholder are unsecured, interest-free and not repayable within one year.

- (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.

14. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade 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.

The financial liabilities of the Company comprise trade payables, other payables and accruals and amounts due to the ultimate holding company, the immediate holding company and fellow subsidiaries and loans from the immediate holding company and a shareholder, 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\$394,639 (2022: US\$671,728), 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.

31 March 2023

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's exposure to credit 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

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 to 90 days from the date of billing. Debtors with balances that are past due are usually requested to settle all outstanding balances before any further credit is granted. Normally, the Company does not obtain collateral from customers.

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.

Other financial assets at amortised cost

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

The credit quality of other receivables are considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful". All the other financial assets at amortised cost were considered to be normal as at 31 March 2023 and 31 March 2022.

Liquidity risk

The Company has a minimal risk of shortage of funds as its ultimate holding company has agreed to provide adequate funds for the Company to meet its liabilities as and when they fall due. The Company's financial liabilities at amortised costs are either due within 12 months or repayable on demand.

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 Group'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 2023 and 31 March 2022.

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

16. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 5 May 2023.

