

**PEARL GRASS CREATIONS LIMITED**

**REPORTS**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2018**

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

# PEARL GRASS CREATIONS LIMITED

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# PEARL GRASS CREATIONS LIMITED

## REPORT OF THE DIRECTORS

The directors present their annual report and the annual audited financial statements of the Company for the year ended March 31, 2018.

### PRINCIPAL ACTIVITY

The Company commences business on September 5, 2017. The principal activity of the Company is trading of garment.

### RESULTS AND APPROPRIATIONS

The results of the Company for the year ended March 31, 2018 are set out in the statement of profit or loss and other comprehensive income on page 6.

The directors do not recommend the payment of a dividend.

### SHARE CAPITAL AND RESERVES

Details of movement of share capital of the Company are set out in Note (18) to the financial statements. There were no movements during the year.

There were no movements in reserves except for changes to accumulated losses which arose from profit or loss.

### DIRECTORS

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

Pulkit SETH	
Deepak Kumar SETH	
Vinod Ramanlal KANTHARIA	
Shefali SETH	
Frank Petrus SMITS	
Arulrayan SILUVAIRAYAN	(Resigned on January 10, 2018)
Sweta AGARWAL	(Appointed on January 10, 2018)

In accordance with the Company's Articles of Association, the directors retire and, being eligible, offer themselves for re-election.

# PEARL GRASS CREATIONS LIMITED

## REPORT OF THE DIRECTORS (CONT'D)

### DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### MANAGEMENT CONTRACTS

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

### BUSINESS REVIEW

The Company falls within reporting exemption for the financial year. Accordingly, the Company is exempted from preparing a business review for this financial year.

### PERMITTED INDEMNITY PROVISION

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company and holding company (whether made by the Company or otherwise) or an associated company (if made by the Company).

### AUDITORS

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

On behalf of the Board

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Deepak Kumar SETH  
Chairman

Hong Kong, May 25, 2018.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBER 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 20, which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended March 31, 2018, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at March 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

**Basis for Opinion**

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

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

**Responsibilities of Directors and Those charged with Governance for the Financial Statements**

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance (Cap.622) and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

Louis Lai & Luk CPA Limited  
Certified Public Accountants

Luk Wing Hay  
Practising Certificate Number P01623

Hong Kong, May 25, 2018.

**PEARL GRASS CREATIONS LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**FOR YEAR ENDED MARCH 31, 2018**

	<u>NOTES</u>	1/4/2017 <u>-31/3/2018</u>	11/7/2016 <u>-31/3/2017</u>
		US\$	US\$
REVENUE	(7)	1,110,676	-
COST OF GOODS SOLD		(1,066,288)	-
SELLING AND DISTRIBUTION COST		( 4,929)	-
STAFF COSTS		( 269,329)	-
OTHER OPERATING EXPENSES		( <u>641,496</u> )	( <u>2,418</u> )
LOSS FROM OPERATIONS		( 871,366)	(2,418)
FINANCE COSTS	(8)	( <u>1</u> )	-
LOSS BEFORE TAXATION	(9)	( 871,367)	-
TAXATION	(10)	-	-
LOSS FOR THE YEAR/PERIOD		( 871,367)	(2,418)
OTHER COMPREHENSIVE INCOME/(EXPENSE)		-	-
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR/PERIOD		( 871,367) =====	(2,418) =====

THE NOTES ON PAGES 10 TO 20 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**PEARL GRASS CREATIONS LIMITED**

**STATEMENT OF FINANCIAL POSITION**

**AS AT MARCH 31, 2018**

	<u>NOTES</u>	<u>2018</u>	<u>2017</u>
		US\$	US\$
<b>Current Assets</b>			
Inventories	(11)	148,962	-
Deposits		6,608	-
Trade receivable	(12)	158,325	-
Other receivable	(12)	5,222	-
Amount due from holding company	(13)	-	5,893
Amount due from a shareholder	(13)	-	7,350
Amount due from fellow subsidiaries	(13)	157,422	-
Cash and cash equivalents		<u>27,029</u>	<u>-</u>
		503,568	13,243
		-----	-----
<b>Current Liabilities</b>			
Amount due to fellow subsidiaries	(14)	150,125	-
Amount due to immediate holding company	(14)	216,384	-
Amount due to ultimate holding company	(14)	50,657	-
Loan from immediate holding company	(15)	320,000	-
Loan from a shareholder	(15)	80,000	-
Loan from a director	(15)	110,000	-
Trade payable	(16)	39	-
Accrued expenses	(16)	<u>50,148</u>	<u>661</u>
		977,353	661
		-----	-----
Net Current (Liabilities)/Assets		(473,785)	12,582
		=====	=====
<b>(DEFICT)/EQUITY</b>			
Share capital	(17)	400,000	15,000
Accumulated losses		(873,785)	( 2,418)
TOTAL (DEFICIT)/EQUITY		(473,785)	12,582
		=====	=====

APPROVED BY THE BOARD OF DIRECTORS ON MAY 25, 2018 AND SIGNED ON BEHALF OF THE BOARD BY:

\_\_\_\_\_  
Deepak Kumar SETH  
Director

\_\_\_\_\_  
Pulkit SETH  
Director

THE NOTES ON PAGES 10 TO 20 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**PEARL GRASS CREATIONS LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED MARCH 31, 2018**

	<u>Share Capital</u>	<u>Accumulated Losses</u>	<u>Total</u>
	US\$	US\$	US\$
Issuance of share capital	15,000	-	15,000
Total comprehensive expense for the period	<u>-</u>	<u>( 2,418)</u>	<u>( 2,418)</u>
At March 31, 2017 and April 1, 2017	15,000	( 2,418)	12,582
Allotment of share capital	385,000	-	385,000
Total comprehensive expense for the year	<u>-</u>	<u>(871,367)</u>	<u>(871,367)</u>
At March 31, 2018	400,000 =====	(873,785) =====	(473,785) =====

THE NOTES ON PAGES 10 TO 20 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**PEARL GRASS CREATIONS LIMITED**

**STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED MARCH 31, 2018**

	<u>1/4/2017</u> <u>-31/3/2018</u>	<u>31/7/2016</u> <u>-31/3/2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	US\$	US\$
Loss before taxation	(871,367)	( 2,418)
Adjustments for:		
Interest expenses	<u>1</u>	<u>-</u>
<b>OPERATING LOSS BEFORE WORKING CAPITAL CHANGES</b>	(871,366)	( 2,418)
Increase in deposit	( 6,608)	-
Increase in trade receivable	(158,325)	-
Increase in other receivable	( 5,222)	-
Increase in inventories	(148,962)	-
Decrease/(Increase) in amount due from holding company	5,893	( 5,893)
Decrease/(Increase) in amount due from a shareholder	7,350	( 7,350)
Increase in amount due from fellow subsidiaries	(157,422)	-
Increase in trade payable	39	-
Increase in accrued expenses	49,487	661
Increase in amount due to a fellow subsidiary	150,125	-
Increase in amount due to immediate holding company	216,384	-
Increase in amount due to a ultimate holding company	50,657	-
Increase in loan from holding company	320,000	-
Increase in loan from a shareholder	80,000	-
Increase in loan from a director	<u>110,000</u>	<u>-</u>
<b>CASH (USED IN) OPERATIONS</b>	(357,970)	(15,000)
Interest paid	<u>1</u>	<u>-</u>
Net cash (used in) operating activities	(357,971)	(15,000)
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	-	-
	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from allotment of share capital	<u>385,000</u>	<u>15,000</u>
Net cash generated from financing activities	<u>385,000</u>	<u>15,000</u>
	-----	-----
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	27,029	-
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD</b>	<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>	<u>27,029</u>	<u>-</u>
	=====	=====

THE NOTES ON PAGES 10 TO 20 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# PEARL GRASS CREATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL

Pearl Grass Creations Limited is a company incorporated in Hong Kong with limited liability. It commences business on September 5, 2017. The address of its registered office is Unit 801-3, 8/F., 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong. The directors consider that the ultimate holding company and immediate holding company are Pearl Global Industries Limited and Pearl Global (HK) Limited respectively. The ultimate holding company and immediate holding company are incorporated in India and Hong Kong respectively. The shares of the ultimate holding company are listed on the Bombay Stock Exchange and National Stock Exchange in India.

### 2. PRINCIPAL ACCOUNTING POLICIES

#### a. Basis of Preparation

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

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

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note (5) to the financial statements.

#### b. Changes in Accounting Policies and Disclosures

Certain new and revised HKFRSs became effective for the first time during the current financial year but are not applicable to the Company, and accordingly, they have had no material impact on the Company’s financial statements for the year ended March 31, 2018.

#### c. Issued but Not Yet Effective Hong Kong Financial Reporting Standards

The Company has not early applied any new and revised HKFRSs that have been issued but are not yet effective for the accounting year ended March 31, 2018, in these financial statements. The Company is in the process of making an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on its results of operations and financial position.

# PEARL GRASS CREATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### d. Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### e. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

#### f. Financial Assets

The Company's financial assets are only classified under loans and receivables category.

#### g. Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables are carried at amortized cost using effective interest method, less any identified impairment losses. An impairment loss is recognised in the statement of profit or loss and other comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the assets recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### h. Financial Liabilities

Financial liabilities of the Company are classified, at initial recognition, as loans and borrowings or derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Company's financial liabilities comprise trade and other payables and amount due to a fellow which are subsequently measured at amortized cost, using the effective interest method.

# PEARL GRASS CREATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### i. Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The Company's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

#### j. Cash and Cash Equivalents

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

#### k. Translation of Foreign Currency

##### (i) Functional and presentation currency

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

##### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

#### l. Taxation

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

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

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

# PEARL GRASS CREATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### l. Taxation (Cont'd)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of profit or loss and other comprehensive income.

#### m. Turnover

Turnover represents invoiced amount of sales.

#### n. Recognition of Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably, on the bases as follows:

- Revenue from sales of goods is recognised when goods are delivered to buyers.

#### o. Borrowing Costs

Interest incurred in connection with the borrowing of funds is recognised as expenses in the period in which they are incurred.

#### p. Bank Borrowings

Interest bearing overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs, if any) and the settlement or redemption of borrowings is recognised over the terms of borrowings in accordance with the Company's policy for borrowing cost as stated in the preceding note.

# PEARL GRASS CREATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### q. Related Parties

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

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

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

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

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

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

# PEARL GRASS CREATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

#### r. Financial Risks

The financial risks in connection with the Company's financial instruments include risks as follows.

- (i) Market risk includes three types of risk as below:
  - Currency risk: the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.
  - Fair value interest rate risk: the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.
  - Price risk: the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. Market risk embodies not only the potential for loss but also the potential for gain.
- (ii) Credit risk: the risk that the corresponding party to a financial instrument will fail to discharge an obligation and cause the Company to incur a financial loss.
- (iii) Liquidity risk (also referred to as funding risk): the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.
- (iv) Cash flow interest rate risk: the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

### 3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

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

The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

# PEARL GRASS CREATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 4. FINANCIAL RISK MANAGEMENT

The Company's financial risks are limited by the financial management policies and practices described below.

(a) Credit risk

The Company has no significant concentrations of credit risk because it has no financial assets.

(b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors. As the fellow subsidiary and shareholder have confirmed the willingness to provide continuous financial support to the Company, the directors are of the opinion that the Company is adequately protected from the liquidity risk.

(c) Cash flow and fair value interest rate risk

The Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

### 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimate of fair values of current assets and liabilities

The nominal value of current assets and liabilities are assumed to approximate their fair values.

### 6. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

(i) Remuneration of the directors of the Company disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

	<u>1/4/2017</u> <u>-31/3/2018</u>	<u>11/7/2016</u> <u>-31/3/2017</u>
	US\$	US\$
Emoluments:		
Acting as directors	75,906	-
Provision for management services	-	-
Retirement benefits	-	-
	<u>75,906</u>	-
	=====	=====

# PEARL GRASS CREATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 6. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS (CONT'D)

- (ii) Loans, quasi-loans and other dealings in favour of directors (including shadow directors) of the Company and its holding company disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

Loans, quasi-loans and credit transactions entered into by the Company for a director of the Company or of its holding company or a controlled body corporate of such a director

<u>Name of borrower</u>	<u>Outstanding principal</u>		
	<u>At beginning of year</u>	<u>At end of year</u>	<u>Greatest outstanding</u>
	US\$	US\$	US\$
Pearl Global (HK) Limited	9,000	-	9,000
	=====	=====	

- <sup>(1)</sup> Immediate holding company, connected to Deepak Kumar Seth and Pulkit Seth

Guarantee or security in connection with loans, quasi-loans and credit transactions

In the opinion of the directors, the directors or shadow directors, if any, of the Company had no material interests in those significant transactions, arrangements or contracts in relation to the Company's business entered into by the Company or another company in the same group of companies or subsisted during the year.

- (iii) Material interests of directors (including shadow directors) of the Company disclosed pursuant to section 383(1)(e) of the Hong Kong Companies Ordinance and Part 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follow:

In the opinion of the directors, the directors or shadow directors, if any, of the Company had no material interests in those significant transactions, arrangements or contracts in relation to the Company's business entered into by the Company or another company in the same group of companies or subsisted during the year.

<u>7. REVENUE</u>	<u>1/4/2017</u> <u>-31/3/2018</u>	<u>11/7/2016</u> <u>-31/3/2017</u>
	US\$	US\$
Sales	1,110,676	-
	=====	=====

# PEARL GRASS CREATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

	<u>1/4/2017</u> <u>-31/3/2018</u>	<u>11/7/2016</u> <u>-31/3/2017</u>
	US\$	US\$
8. <u>FINANCE COSTS</u>		
Bank overdraft interest	1	-
	=====	=====

### 9. LOSS BEFORE TAXATION

Loss before taxation is stated after charging:

Auditors' remuneration	2,571	-
Exchange differences, net	2,095	-
Staff costs (including directors' remuneration)		
- Salaries and allowance	269,040	-
- Employee welfare	289	-
Cost of goods sold	1,066,288	-
	=====	=====

### 10. TAXATION

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

	<u>2018</u>	<u>2017</u>
	US\$	US\$
11. <u>INVENTORIES</u>		
Finished goods	148,962	-
	=====	=====

### 12. TRADE AND OTHER RECEIVABLE

Trade receivable (Note (i))	158,325	-
Other receivable	<u>5,222</u>	<u>-</u>
	163,547	-
	=====	=====

(i) Aging analysis of trade receivable is as follows:

Neither past due nor impaired	158,325	-
	=====	=====

# PEARL GRASS CREATIONS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

13. AMOUNT DUE FROM HOLDING COMPANY, A SHAREHOLDER AND FELLOW SUBSIDIARIES

The amount due from holding company, a shareholder and fellow subsidiaries are unsecured, interest-free and has no fixed terms of repayments. No provision for bad and doubtful debts have been recognised on the amounts due from holding company, a shareholder and fellow subsidiaries. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

14. AMOUNT DUE TO FELLOW SUBSIDIARIES, HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The amount due to fellow subsidiaries, holding company and ultimate holding company are interest free and have no fixed terms of repayment. The fellow subsidiaries, holding company and ultimate holding company had agreed not to demand repayment until the Company is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

15. LOAN FROM IMMEDIATE HOLDING COMPANY, A SHAREHOLDER AND A DIRECTOR

The loan from immediate holding company, a shareholder and a director are interest free and have no fixed terms of repayment. The immediate holding company, shareholder and director had agreed not to demand repayment until the Company is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

16. <u>TRADE PAYABLE AND ACCRUED EXPENSES</u>	<u>2018</u>	<u>2017</u>
	US\$	US\$
Trade payable (Note (i))	39	-
Accrued expenses	<u>50,148</u>	<u>661</u>
	<u>50,187</u>	<u>661</u>
	=====	=====

(i) Aging analysis of trade payable is as follows:

Due for payment:		
No later than one year	39	-
	=====	=====

17. DEFERRED TAX

The Group has tax losses arising in Hong Kong of US\$871,367 (11/7/2016- 31/3/2017: US\$Nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

No deferred tax liability has been recognised in the financial statements on the grounds that the Company has no taxable temporary differences during the current year.

**PEARL GRASS CREATIONS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

18. <u>SHARE CAPITAL</u>	<u>2018</u>		<u>2017</u>	
	<u>No. of shares</u>	<u>Amount</u>	<u>No. of shares</u>	<u>Amount</u>
		US\$		US\$
Ordinary shares: issued and fully paid				
At March 31	400,000 =====	400,000 =====	15,000 =====	15,000 =====

On January 8, 2018, 385,000 ordinary shares of US\$1 each was issued to the shareholder to provide working capital of the Company. The Company's issued share capital was increased by shareholder's capital injection at US\$385,000 in cash, making a total issued share capital of US\$400,000.

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

19. RELATED PARTY TRANSACTIONS

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

<u>Name of Company</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>1/4/2017 -31/3/2018</u>	<u>11/7/2016 -31/3/2017</u>
			US\$	US\$
DSSP Global Limited	Fellow subsidiary	Purchases	886,003	
		Management fee	37,500	-
		Incentive expenses	6,000	-
		Marketing fee paid	276,702	-
Pearl Global Vietnam Co., Ltd	Fellow subsidiary	Purchase of goods	300	-
		Processing charge	78,410	-
			=====	=====

20. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorized for issue by the Company's Board of Directors on May 25, 2018.