

Report of the Directors and Audited Financial Statements

PEARL GLOBAL (HK) LIMITED

31 March 2023



PEARL GLOBAL (HK) LIMITED

CONTENTS

Pages

REPORT OF THE DIRECTORS

1 - 2

INDEPENDENT AUDITOR'S REPORT

3 - 5

AUDITED FINANCIAL STATEMENTS

Consolidated statement of profit or loss

6

Consolidated statement of comprehensive income

7

Consolidated statement of financial position

8 - 9

Consolidated statement of changes in equity

10 - 11

Consolidated statement of cash flows

12 - 13

Notes to financial statements

14 - 59

PEARL GLOBAL (HK) LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Group for the year ended 31 March 2023.

Principal activities

The principal activities of the Company are investment holding and garment trading. The principal activities of the subsidiaries are garment and textile trading and manufacturing. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 March 2023 and the Group's financial position at that date are set out in the financial statements on pages 6 to 59.

An interim dividend of HK0.32 cent per ordinary share totalling US\$500,000 was paid on 4 November 2022. The directors recommend the payment of a final dividend of approximately US0.32 cent per ordinary share totalling US\$500,000 in respect of the year.

Directors

The directors of the Company during the year were:

Deepak Kumar SETH
Mahesh Kumar SETH
Pulkit SETH
Abhishek GOYAL
Gurusankar GURUMOORTHY
Sumit LATH

The persons who were directors of the subsidiaries of the Company during the year were:

Deepak Kumar SETH
Pulkit SETH
Shifalli SETH
Gurusankar GURUMOORTHY
Sumit LATH

There being no provision in the Company's Articles of Association for retirement by rotation, all directors continue in office for the ensuring year

Directors' interests

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

Directors' interests in transactions, arrangements or contracts

No director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Company to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party during the year.

Permitted indemnity provisions

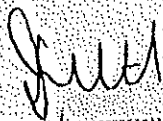
During the year ended 31 March 2023, a permitted indemnity provision as defined in the Hong Kong Companies Ordinance was in force for an indemnity against a liability incurred by the directors of the Company, to a third party.

PEARL GLOBAL (HK) LIMITED
REPORT OF THE DIRECTORS

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

Auditors
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
5 May 2023



Ernst & Young
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Quarry Bay, Hong Kong

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Independent auditor's report
To the member of Pearl Global (HK) Limited
(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of Pearl Global (HK) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 6 to 59, which comprise the consolidated statement of financial position as at 31 March 2023, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Independent auditor's report (continued)
To the member of Pearl Global (HK) Limited
(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



Independent auditor's report (continued)
To the member of Pearl Global (HK) Limited
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Certified Public Accountants
Hong Kong
5 May 2023

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2023

	Notes	2023 US\$	2022 US\$
REVENUE	4	299,080,786	275,129,493
Cost of sales		(258,259,268)	(250,294,810)
Gross profit		40,821,518	24,834,683
Other income and gains, net	5	1,335,771	723,379
Administrative expenses		(25,204,764)	(18,136,180)
Other operating expenses		(3,469,081)	(2,471,030)
Finance costs	6	(2,977,659)	(1,250,325)
PROFIT BEFORE TAX	7	10,505,785	3,700,527
Income tax expense	9	(964,530)	(218,132)
PROFIT FOR THE YEAR		<u>9,541,255</u>	<u>3,482,395</u>
Attributable to:			
Owner of the parent		9,076,286	3,219,024
Non-controlling interests		<u>464,969</u>	<u>263,371</u>
		<u>9,541,255</u>	<u>3,482,395</u>

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2023

	2023 US\$	2022 US\$
PROFIT FOR THE YEAR	<u>9,541,255</u>	<u>3,482,395</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations, net	(527,000)	339,975
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of financial assets at fair value through other comprehensive income	68,444	66,833
Remeasurement loss on defined benefit obligations, net of tax	(81,391)	(118,855)
Revaluation of property, net of tax	(42,448)	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>(582,395)</u>	<u>287,953</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>8,958,860</u>	<u>3,770,348</u>
Attributable to:		
Owner of the parent	8,518,539	3,542,731
Non-controlling interests	<u>440,321</u>	<u>227,617</u>
	<u>8,958,860</u>	<u>3,770,348</u>

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2023

	Notes	2023 US\$	2022 US\$
NON-CURRENT ASSETS			
Property, plant and equipment	10	17,074,859	11,774,388
Right-of-use assets	11(a)	6,164,833	7,392,112
Goodwill	12	1,932,750	1,932,750
Financial assets at fair value through other comprehensive income	13	2,973,352	2,904,908
Loan receivables	14	18,922	-
Deposits and prepayments		26,062	69,591
Deferred tax assets	15	80,934	118,463
Total non-current assets		<u>28,271,712</u>	<u>24,192,212</u>
CURRENT ASSETS			
Inventories	16	30,529,534	18,130,813
Trade and other receivables	17	13,365,729	38,265,132
Deposits and prepayments		3,175,964	2,373,407
Loan receivables	14	100,856	-
Non-pledged time deposits	18	1,003,792	1,059,181
Cash and cash equivalents	18	14,659,243	6,529,269
Total current assets		<u>62,835,118</u>	<u>66,357,802</u>
CURRENT LIABILITIES			
Trade and other payables	19	18,054,404	11,408,934
Amount due to the ultimate holding company	27(c)	4,338,831	5,207,429
Amounts due to fellow subsidiaries	27(c)	7,255,031	19,665,821
Consideration payable to non-controlling interests	24	517,074	-
Interest-bearing bank borrowings	21	25,240,490	24,186,045
Other borrowings	21	-	2,846,545
Lease liabilities	11(b)	88,705	192,936
Tax payable		645,634	128,546
Total current liabilities		<u>56,140,169</u>	<u>63,636,256</u>
NET CURRENT ASSETS		<u>6,694,949</u>	<u>2,721,546</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>34,966,661</u>	<u>26,913,758</u>

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

31 March 2023

	Notes	2023 US\$	2022 US\$
NON-CURRENT LIABILITIES			
Loans from non-controlling shareholders	20	305,000	305,000
Interest-bearing bank borrowings	21	-	1,682,120
Other borrowings	21	1,205,314	-
Defined benefit obligations	22	903,288	688,315
Lease liabilities	11(b)	2,153,078	2,572,575
Deferred tax liabilities	15	72,996	32,145
Consideration payable to a non-controlling interest	26(e)	413,021	-
Total non-current liabilities		<u>5,052,697</u>	<u>5,280,155</u>
Net assets		<u>29,913,964</u>	<u>21,633,603</u>
EQUITY			
Share capital	23	9,060,000	9,060,000
Reserves		<u>16,910,631</u>	<u>9,070,591</u>
Non-controlling interests		<u>25,970,631</u>	<u>18,130,591</u>
Total equity		<u>3,943,333</u>	<u>3,503,012</u>
		<u>29,913,964</u>	<u>21,633,603</u>



Deepak Kumar SETH
Director



Palkit SETH
Director

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

	Attributable to owners of the parent							Non-controlling interests US\$	Total equity US\$
	Share capital US\$	Revaluation reserve US\$	Exchange fluctuation reserve US\$	Other reserve US\$	Share option reserve US\$	Retained profits US\$	Total US\$		
At 1 April 2022	9,060,000	603,571*	342,829*	(162,853)*	-	8,287,044*	18,130,591	3,503,012	21,633,603
Profit for the year	-	-	-	-	-	9,076,286	9,076,286	464,969	9,541,255
Other comprehensive income/(loss) for the year:									
Exchange differences on translation of foreign operation, net	-	-	(526,834)	-	-	-	(526,834)	(166)	(527,000)
Change in fair value of financial assets at fair value through other comprehensive income	-	68,444	-	-	-	-	68,444	-	68,444
Deficit on revaluation of land, net of tax	-	(42,448)	-	-	-	-	(42,448)	-	(42,448)
Remeasurement loss on defined benefit obligations, net of tax	-	-	-	(56,909)	-	-	(56,909)	(24,482)	(81,391)
Total comprehensive income for the year	-	25,996	(526,834)	(56,909)	-	9,076,286	8,518,539	440,321	8,958,860
Equity-settled share option arrangements	-	-	-	-	71,501	-	71,501	-	71,501
Final dividend 2022	-	-	-	-	-	(250,000)	(250,000)	-	(250,000)
Interim dividend 2023	-	-	-	-	-	(500,000)	(500,000)	-	(500,000)
At 31 March 2023	9,060,000	629,567*	(184,005)*	(219,762)*	71,501*	16,613,330*	25,970,631	3,943,333	29,913,964

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Year ended 31 March 2023

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

* These reserve accounts comprise the reserves of US\$16,910,631 (2022: US\$9,070,591) in the consolidated statement of financial position.

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2023

	Notes	2023 US\$	2022 US\$
CASH FLOWS FROM OPERATING ACTIVITIES		10,505,785	3,700,527
Profit before tax			
Adjustments for:			
Interest income	5	(31,373)	(35,228)
Gain on disposal of property, plant and equipment, net	7	(29,705)	(28,942)
Gain from a bargain purchase	5	(630,647)	-
Finance costs	6	2,977,659	1,250,325
(Reversal of impairment)/impairment of trade receivables	7	(234,729)	346,721
Reversal of write-down of inventories	7	(83,183)	(121,564)
Depreciation of property, plant and equipment	7	1,356,580	1,272,762
Depreciation of right-of-use assets	7	724,258	728,155
Pension scheme costs, net	7	124,729	(48,206)
Equity-settled share option expense		71,501	-
Loss on lease modification	11	104,900	-
		<u>14,855,775</u>	<u>7,064,550</u>
Increase in inventories		(9,861,365)	(12,196,412)
Increase in deposits and prepayments		(319,269)	(150,637)
Decrease/(increase) in trade and other receivables		27,196,573	(20,924,635)
Increase in trade and other payables		2,965,159	1,901,558
(Decrease)/increase in amounts due to fellow subsidiaries		(12,410,790)	12,962,748
(Decrease)/increase in an amount due to the ultimate holding company		(868,598)	<u>3,402,388</u>
		<u>21,557,485</u>	(7,940,440)
Cash generated from/(used in) operations		31,373	35,228
Interest received		(90,543)	(15,114)
Employee benefits paid			
Interest paid for interest-bearing bank borrowings and other borrowings		(2,742,176)	(1,014,373)
Overseas profits tax paid		(445,479)	(43,669)
		<u>18,310,660</u>	<u>(8,978,368)</u>
Net cash flows from/(used in) operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES		(4,207,268)	(3,060,252)
Purchase of items of property, plant and equipment			
Proceeds from disposal of items of property, plant and equipment		99,647	33,457
Acquisition of a subsidiary	24	224,229	-
Advances of loan		(119,778)	-
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquire		55,389	(1,059,181)
		<u>(3,947,781)</u>	<u>(4,085,976)</u>
Net cash flows used in investing activities			

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Year ended 31 March 2023

	Notes	2023 US\$	2022 US\$
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution from non-controlling shareholders		-	75,000
New loan from non-controlling shareholder		-	225,000
New bank borrowings		254,245,451	37,828,630
New other borrowings		-	2,846,545
Repayment of bank borrowings		(256,593,134)	(25,879,830)
Repayment of other borrowings		(2,846,545)	-
Principal portion of lease payments		(282,665)	(266,380)
Interest portion of lease payments		(208,484)	(235,952)
Dividends paid		(750,000)	-
		<u>(6,435,377)</u>	<u>14,593,013</u>
Cash flows (used in)/from financing activities			
		7,927,502	1,528,669
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		4,904,631	2,950,931
Effect of foreign exchange rate changes, net		1,007,202	425,031
		<u>13,909,335</u>	<u>4,904,631</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		11,347,090	6,529,269
Non-pledged time deposits with original maturities of less than three months when acquired		3,312,153	-
		<u>14,659,243</u>	<u>6,529,269</u>
Cash and cash equivalents as stated in the consolidated statement of financial position		(749,908)	(1,624,638)
Bank overdrafts			
		<u>13,909,335</u>	<u>4,904,631</u>
Cash and cash equivalents as stated in the consolidated statement cash flows			

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

1. CORPORATE INFORMATION

Pearl Global (HK) Limited is a limited liability company incorporated in Hong Kong. Its registered office is located at Room 1801, 18/F, Kimberland Centre, No. 55 Wing Hong Street, Cheung Sha Wan, Kowloon. The principal activities of the Company and its subsidiaries (collectively, the “Group”) are investment holding, garment and textile trading and manufacturing.

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

Information about subsidiaries

Particulars of the Company’s subsidiaries as at 31 March 2023 are as follows:

Name	Place of incorporation/ registration and business	Percentage of equity holding attributable to the Company		Principal activities
		Direct	Indirect	
DSSP Global Limited	Hong Kong	100	-	Garment trading & investment holding
Pearl Grass Creations Limited	Hong Kong	80	-	Garment trading
PGIC Investment Limited	Hong Kong	100	-	Investment holding
Prudent Fashions Limited	Bangladesh	99.95	-	Garment & textile manufacturing
Vin Pearl Global Vietnam Limited	Hong Kong	100	-	Investment holding
Pearl Global Vietnam Company Limited	Vietnam	-	100	Garment manufacturing
PT Pinnacle Apparels	Indonesia	-	69.91	Garment & textile Manufacturing
Alpha Clothing Limited	Bangladesh	100	-	Garment Manufacturing
Pearl Global Industries FZCO	Dubai	100	-	Inactive

31 March 2023

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income and defined benefit obligation, which have been measured at fair value. These consolidated financial statements are presented in United States dollars (“US\$”).

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee)

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

31 March 2023

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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not early applied any of the new and revised HKFRSs, that have been issued but are not yet effective in the accounting year ended 31 March 2023, in these consolidated financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related parties

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

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

31 March 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

31 March 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its interest in an insurance policy at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

31 March 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

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

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Building in Hong Kong	over the lease term or 30 June 2047, whichever is earlier
Buildings outside Hong Kong	over the lease term
Infrastructures	4% to 20%
Leasehold improvements	33 ¹ / ₃ %
Machineries	10% to 20%
Furniture and fixtures	10% to 33 ¹ / ₃ %
Motor vehicles	12.5% to 20%
Tools and equipment	10% to 33 ¹ / ₃ %
Office equipment	20% to 33 ¹ / ₃ %
Computer equipment	33 ¹ / ₃ %
Computer software	20%

The gain or loss on disposal of items of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in profit or loss.

The assets' residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

Construction in progress represents a building and asset under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

31 March 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If such an indication exists, the Group makes an estimate of the asset's recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit). In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of the impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. The reversal of the impairment loss is credited to profit or loss in the year in which it arises.

Leases

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. All leases with a term of more than 12 months are recognised as assets representing the right of use of the underlying asset and liabilities representing the obligation to make lease payments, unless the underlying asset is of low value. Both the assets and the liabilities are initially measured on a present value basis. Right-of-use assets are recognised separately and are measured at cost or valuation less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter of the useful lives of the assets and the lease terms. Lease liabilities are initially measured at the present value of lease payments to be made under the lease terms and subsequently adjusted by the effect of the interest on and the settlement of the lease liabilities, and the re-measurement arising from any reassessment of the lease liabilities or lease modifications.

31 March 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Trade receivables that do not contain a significant financial component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financial component are measured at the transaction price determined under HKFRS 15. All the other financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Group commits to purchase or sell the assets.

(a) Classification and measurement

Debt instruments are measured at amortised cost using the effective interest rate method, subject to impairment if the assets are held for the collection of contractual cash flows where those contractual cash flows represent solely payments of principal and interest.

Equity investments are measured at fair value through profit or loss unless, on initial recognition, the Group has irrevocably elected to designate such investments that are not held for trading as equity investments at fair value through other comprehensive income. Dividends of such investments are recognised in the statement of profit or loss when the Group's right to receive payment is established. Changes in the fair value of such investments are recognised in other comprehensive income and are never recycled to the statement of profit or loss even when the assets are sold.

(b) Impairment

The Group applies the expected credit loss model on all the financial assets that are subject to impairment. For trade receivables without a significant financial component, the Group applies the simplified approach which requires impairment allowances to be measured at lifetime expected credit losses.

For other financial assets, impairment allowances are recognised under the general approach where expected credit losses are recognised in two stages. For credit exposures where there has not been a significant increase in credit risk since initial recognition, the Group is required to provide for credit losses that result from possible default events within the next 12 months. For those credit exposures where there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure irrespective of the timing of the default.

The Group considers a default has occurred when a financial asset is more than six months past due unless the Group has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

(c) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or where the Group has transferred its contractual rights to receive the cash flows of the financial assets and has transferred substantially all the risks and rewards of ownership; or where control is not retained.

31 March 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Financial liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged or cancelled, or expires.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis, and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when the control of goods or services is transferred to the customers, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of garment products

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

Other income

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

31 March 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

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

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders. Proposed final dividends are disclosed in the notes to the financial statements.

Foreign currency transactions

These consolidated financial statements are presented in US\$, which is the Group's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currency of the certain overseas subsidiaries are currencies other than United States dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into United States dollar at the exchange rates prevailing at the end of the reporting period and their statement of profit or loss are translated into United States dollar at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the statement of cash flows, the cash flows of overseas subsidiaries are translated into United States dollar at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into United States dollar at the weighted average exchange rates for the year.

31 March 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Retirement benefit costs

The Group operates a mandatory provident fund scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. Contributions are made based on a percentage of the employees’ basic salaries and are charged to profit or loss as and when the contributions fall due.

The Group has made provisions for estimated liabilities for employee benefits paid to the employees of the Group’s Indonesian subsidiary as required under the Indonesian Labor Law. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Remeasurements arising from defined benefit pension plans, comprising actuarial gains and losses are recognised immediately in the consolidated statement of financial position with a corresponding debit or credit to retained profits through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss at the earlier of:

- the date of the plan amendment or curtailment; and
- the date that the Group recognises restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation in the consolidated statement of profit or loss:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

31 March 2023

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences while deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right exists to set off current tax assets and current tax liabilities and the deferred assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

31 March 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgement

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

Income tax

The Group has exposure to income taxes in different jurisdictions. Significant judgement is involved in determining the provision for income taxes. Determining income tax provisions involves judgement on the future tax treatment of certain transactions and interpretation of tax rules. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation, interpretations and practices in respect thereof.

Estimation uncertainties

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

Impairment of trade receivables

The impairment provisions for trade receivables are based on assumptions about expected credit losses. The Group uses judgements in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of each reporting period. Changes in these assumptions and estimates could materially affect the results of the assessment and it may be necessary to make an additional impairment charge to profit or loss.

Write-down of inventories to net realisable value

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

31 March 2023

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainties (continued)*Impairment of goodwill*

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

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from change or improvements in the provision of services, or from a change in the market demand for the service output of the asset, the expected usage of the asset, the expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Adjustment of depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of the reporting period based on changes in circumstances.

4. REVENUE

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

	2023 US\$	2022 US\$
<i>Revenue from contracts with customers</i>		
Sales of goods	<u>299,080,786</u>	<u>275,129,493</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.

5. OTHER INCOME AND GAINS, NET

	2023 US\$	2022 US\$
Bank interest income	20,916	2,100
Other interest income	10,457	33,128
Gain on disposal of property, plant and equipment	48,578	28,942
Sundry income	625,173	659,209
Gain from a bargain purchase	630,647	-
	<u>1,335,771</u>	<u>723,379</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

6. FINANCE COSTS

	2023 US\$	2022 US\$
Interest on term loans	651,396	485,363
Interest on bank overdraft	176,663	113,215
Interest on trade financing	1,902,692	415,795
Interest on lease liabilities	208,484	235,952
Interest on the consideration payable to non-controlling interests arising from the passage of time	26,999	-
Others	11,425	-
	<u>2,977,659</u>	<u>1,250,325</u>

7. PROFIT BEFORE TAX

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

	2023 US\$	2022 US\$
Cost of inventories sold	258,259,268	250,294,810
Depreciation of property, plant and equipment	1,356,580	1,272,879
Depreciation of right-of-use assets	724,258	728,155
Lease payments not included in the measurement of lease liabilities	329,745	376,757
Auditor's remuneration	148,896	88,005
Employee benefit expense (including directors' remuneration (note 8)):		
Salaries and allowances^	22,797,296	19,967,442
Pension scheme contribution (defined contribution scheme)#	124,729	86,792
Pension scheme costs (defined benefit obligations)	27,201	(48,206)
Staff welfare	387,058	204,286
	<u>23,336,284</u>	<u>20,210,314</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

7. PROFIT BEFORE TAX (continued)

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

	2023 US\$	2022 US\$
(Reversal of impairment)/impairment of trade receivables, net ^{^^}	(234,729)	346,721
Reversal of write-down of inventories to net realisable value ^{^^^}	(83,183)	(121,564)
Gain on disposal of property, plant and equipment, net	(29,705)	(28,942)
Foreign exchange differences, net	<u>2,110,620</u>	<u>88,662</u>

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

^ Salaries and allowances of US\$14,649,914 (2022: US\$14,279,890) has been charged to cost of sales and US\$7,522,874 (2022: US\$5,687,553) has been charged to administrative expenses in the consolidated statement of profit or loss, respectively.

^^ The impairment of trade receivables and the impairment of deposits and other receivables are included in "Other operating expenses" in the consolidated statement of profit or loss.

^^^ The write-down and reversal of write-down of inventories to net realisable value is included in "Cost of sales" in the consolidated statement of profit or loss.

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to 383(1)(a) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2023 US\$	2022 US\$
Fees	-	-
Other emoluments:		
Salaries and allowances	157,503	124,476
Pension scheme contribution (defined contribution scheme)	<u>2,314</u>	<u>2,314</u>
	<u>159,817</u>	<u>126,790</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

9. INCOME TAX

Hong Kong profits tax has been provided at the rate of 8.25% on the estimated assessable profits below HK\$2,000,000, and thereafter at the rate of 16.5% during the year (2022: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	2023 US\$	2022 US\$
Current – Hong Kong Charge for the year	114,066	-
Current – Elsewhere Charge for the year	724,997	151,080
Underprovision in prior years	75,096	15,766
Deferred tax (note 15)	<u>50,371</u>	<u>51,286</u>
Total tax charge for the year	<u>964,530</u>	<u>218,132</u>

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

	2023 US\$	2022 US\$
Profit before tax	<u>10,505,785</u>	<u>3,700,527</u>
Tax at the applicable statutory tax rate of 12.7% (2022: 15.4%)	1,339,058	569,428
Adjustments in respect of current tax of previous periods	75,096	15,766
Lower tax rate enacted by local authority	(21,154)	-
Expenses not deductible for tax	35,422,431	34,706,544
Income not subject to tax	(35,630,089)	(35,131,409)
Temporary differences not recognised	35,936	225,981
Tax losses utilised from previous periods	(282,697)	(363,554)
Tax losses not recognised	-	192,820
Others	<u>25,949</u>	<u>2,556</u>
Tax charge at the Group's effective rate of 9.2% (2022: 5.9%)	<u>964,530</u>	<u>218,132</u>

As at 31 March 2023, the Group has aggregated estimated tax losses arising in Hong Kong and elsewhere of US\$711,591 (2022: US\$3,020,584), subject to the agreement by the corresponding tax authorities, that are available for offsetting against future taxable profits of the Group. No deferred tax asset in respect of the Group's tax losses has been recognised on account of the unpredictability of future profit streams of the Group.

PEARL GLOBAL (HK) LIMITED
NOTES TO FINANCIAL STATEMENTS

31 March 2023

10. PROPERTY, PLANT AND EQUIPMENT

31 March 2023

	Freehold Land US\$	Buildings US\$	Leasehold Improvement US\$	Machineries US\$	Furniture and fixture US\$	Tools and equipment US\$	Office equipment US\$	Motor vehicle US\$	Computer equipment US\$	Computer software US\$	Construction in progress US\$	Total US\$
At 31 March 2022 and 1 April 2022:												
Cost	1,454,383	2,672,907	3,631,726	7,845,623	1,069,997	819,775	295,568	438,446	146,327	56,454	601,349	19,032,555
Accumulated depreciation	-	(244,555)	(1,499,836)	(4,054,922)	(350,850)	(666,976)	(92,438)	(251,242)	(69,787)	(27,561)	-	(7,258,167)
Net carrying amount	1,454,383	2,428,352	2,131,890	3,790,701	719,147	152,799	203,130	187,204	76,540	28,893	601,349	11,774,388
At 1 April 2022, net of accumulated depreciation	1,454,383	2,428,352	2,131,890	3,790,701	719,147	152,799	203,130	187,204	76,540	28,893	601,349	11,774,388
Business combination, net	1,387,895	1,704,786	-	604,847	53,066	-	102,834	13,093	13,763	1,625	-	3,881,909
Additions	220,750	14,581	355,443	810,393	12,620	186,965	44,357	226,838	22,982	5,003	2,307,336	4,207,268
Disposals	-	(9,490)	(9,800)	(41,974)	-	(459)	-	(17,709)	-	-	-	(69,942)
Transfer	-	-	763,915	31,394	24,788	27,613	277	99,740	7,185	-	(954,912)	(9,490)
Depreciation provided during the year	-	(148,700)	(254,251)	(649,462)	(102,596)	(41,674)	(53,282)	(67,874)	(31,509)	(7,232)	-	(1,356,580)
Deficit on revaluation	-	(43,314)	-	-	-	-	-	-	-	-	-	(43,314)
Exchange realignment	(137,208)	(160,671)	(316,014)	(482,403)	(106,561)	(17,430)	(42,188)	(8,491)	(6,998)	(2,278)	(29,138)	(1,309,380)
At 31 March 2023	2,925,820	3,785,544	2,671,183	4,063,496	600,464	307,814	255,128	432,801	81,963	26,011	1,924,635	17,074,859
At 31 March 2023:												
Cost	2,925,820	4,733,948	4,395,014	8,936,549	1,063,427	1,011,201	491,478	606,669	180,729	61,054	1,924,635	26,330,524
Accumulated depreciation	-	(948,404)	(1,723,831)	(4,873,053)	(462,963)	(703,387)	(236,350)	(173,868)	(98,766)	(35,043)	-	(9,255,665)
Net carrying amount	2,925,820	3,785,544	2,671,183	4,063,496	600,464	307,814	255,128	432,801	81,963	26,011	1,924,635	17,074,859

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

10. PROPERTY, PLANT AND EQUIPMENT (continued)

31 March 2022

	Freehold Land US\$	Building US\$	Leasehold Improvement US\$	Machinery and Machineries US\$	Furniture and fixture US\$	Tools and equipment US\$	Office equipment US\$	Motor vehicle US\$	Computer software US\$	Construction in progress US\$	Total US\$
At 1 April 2021:	182,932	2,003,918	1,942,620	5,017,842	369,196	630,995	187,675	488,886	27,918	40,832	16,132,380
Cost	-	(150,908)	(1,168,363)	(3,470,588)	(256,021)	(584,030)	(102,578)	(328,786)	(22,955)	-	(6,098,177)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-
Net carrying amount	182,932	1,853,010	774,257	1,547,254	113,175	46,965	85,097	160,100	4,963	26,884	10,034,203
At 1 April 2021, net of accumulated depreciation	182,932	1,853,010	774,257	1,547,254	113,175	46,965	85,097	160,100	4,963	26,884	10,034,203
Additions	1,271,451	19,802	30,796	121,841	70,729	21,661	-	73,756	23,642	-	3,060,252
Disposals	-	-	(347)	-	-	(4,168)	-	-	-	-	(4,515)
Transfer	-	649,187	1,654,008	2,707,277	635,622	134,696	174,944	-	61,925	(6,032,424)	-
Depreciation provided during the year	-	(93,647)	(328,810)	(574,654)	(95,255)	(46,652)	(56,332)	(49,927)	(14,339)	(13,146)	(1,272,762)
Exchange realignment	-	-	1,986	(11,017)	(5,124)	297	(579)	3,275	349	(32,367)	(42,790)
At 31 March 2022	1,454,383	2,428,352	2,131,890	3,790,701	719,147	152,799	203,130	187,204	76,540	28,893	11,774,388
At 31 March 2022:	1,454,383	2,672,907	3,631,726	7,845,623	1,069,997	819,775	295,568	438,446	146,327	601,349	19,032,555
Cost	-	(244,555)	(1,499,836)	(4,054,922)	(350,850)	(666,976)	(92,438)	(251,242)	(69,787)	-	(7,258,167)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-
Net carrying amount	1,454,383	2,428,352	2,131,890	3,790,701	719,147	152,799	203,130	187,204	76,540	28,893	11,774,388

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

10. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 March 2023, certain of the Group's property, plant and equipment with a net carrying amount of approximately US\$6,958,882 (2022: US\$6,439,784) were pledged to secure banking facilities granted to the Group.

11. LEASES

The Group has lease contracts for various items of office premises and factories and machineries used in its operations. Lump sum payments were made upfront to acquire the leasehold land with lease periods of 30 years, and no ongoing payments will be made under the terms of these land leases. Lease of office premises and factories generally have lease terms between 1 and 15 years. Machineries has lease terms of 4 years.

At 31 March 2023, certain of the Group's leasehold land with a net carrying amount of approximately US\$3,275,712 (2022: US\$3,405,450) were pledged to secure banking facilities granted to the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold land US\$	Office premises US\$	Factories US\$	Machineries US\$	Total US\$
As at 1 April 2021	3,545,378	56,827	293,914	-	3,896,119
Additions	-	135,302	3,909,144	210,418	4,254,864
Depreciation charge	(140,117)	(107,566)	(480,472)	-	(728,155)
Exchange realignment	189	(77)	(30,636)	(192)	(30,716)
As at 31 March 2022 and 1 April 2022	3,405,450	84,486	3,691,950	210,226	7,392,112
Business combination	-	32,961	-	-	32,961
Additions	-	10,726	-	92,844	103,570
Depreciation charge	(138,781)	(75,354)	(439,414)	(70,709)	(724,258)
Lease modification	9,490	(2,747)	-	(29,920)	(23,177)
Exchange realignment	(446)	(5,254)	(606,056)	(4,619)	(616,375)
As at 31 March 2023	<u>3,275,713</u>	<u>44,818</u>	<u>2,646,480</u>	<u>197,822</u>	<u>6,164,833</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

11. LEASES (continued)

(b) Lease liabilities

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

	2023 US\$	2022 US\$
As at 1 April	2,765,511	116,107
Business combination	35,479	-
Additions	103,570	2,938,078
Accretion of interests	208,484	235,952
Payments	(491,149)	(502,332)
Lease modification	72,233	-
Exchange realignment	(452,345)	(22,294)
As at 31 March	<u>2,241,783</u>	<u>2,765,511</u>
Analysed into:		
Non-current portion	2,153,078	2,572,575
Current portion	<u>88,705</u>	<u>192,936</u>
	<u>2,241,783</u>	<u>2,765,511</u>

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

	2023 US\$	2022 US\$
Interest on lease liabilities	208,484	235,952
Depreciation of right-of-use assets	724,258	728,155
Lease payments not included in the measurement of lease liabilities	329,745	376,757
Loss on lease modification	<u>104,900</u>	<u>-</u>
	<u>1,367,387</u>	<u>1,340,864</u>

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

	2023 US\$	2022 US\$
Within operating activities	329,745	376,757
Within financing activities	<u>491,149</u>	<u>502,332</u>
	<u>820,894</u>	<u>879,089</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

12. GOODWILL

US\$

At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	<u>1,932,750</u>
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Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the garment trading and manufacturing operation cash-generating units for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections was 10% (2022: 10%), and the cash flows beyond the five-year period are extrapolated using an average growth rate of 3% (2022: 3%).

Assumptions were used in the value in use calculation. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year immediately before the budget year, adjusted for expected efficiency improvements and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rates – The growth rates used are with reference to the long term average growth rates for the relevant markets.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 US\$	2022 US\$
Insurance policy	<u>2,973,352</u>	<u>2,904,908</u>

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments are not held for trading.

The insurance policy was pledged to secure banking facilities granted to the Group.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

14. LOAN RECEIVABLES

	2023 US\$	2022 US\$
Loan receivables	119,778	-
Portion classified as current assets	<u>(100,856)</u>	<u>-</u>
Non-current portion	<u>18,922</u>	<u>-</u>

An impairment analysis was performed on 31 March 2023 by considering the probability of default of the loan receivables. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit losses as at 31 March 2023 were considered to be minimal.

15. DEFERRED TAX

The movements in deferred tax assets/(liabilities) during the year were as follows:

2023

Deferred tax asset

	Depreciation allowance in excess of related depreciation US\$	Right-of-use assets US\$	Defined benefit obligations US\$	Total US\$
At 1 April 2022	(27,624)	14,904	131,183	118,463
Deferred tax charged to profit or loss during the year (note 9)	(46,302)	(13,852)	(330)	(60,484)
Deferred tax credited to other comprehensive income during the year	<u>-</u>	<u>-</u>	<u>22,955</u>	<u>22,955</u>
At 31 March 2023	<u>(73,926)</u>	<u>1,052</u>	<u>153,808</u>	<u>80,934</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

15. DEFERRED TAX (continued)

2023Deferred tax liabilities

	Depreciation in excess of related depreciation allowance US\$	Defined benefit obligations US\$	Total US\$
At 1 April 2022	32,145	-	32,145
Business combination	70,731	(7,981)	62,750
Deferred tax credited to profit or loss during the year (note 9)	(5,786)	(4,327)	(10,113)
Deferred tax credited to other comprehensive income during the year	(866)	-	(866)
Exchange realignment	(11,715)	795	(10,920)
At 31 March 2023	<u>84,509</u>	<u>(11,513)</u>	<u>72,996</u>

2022Deferred tax asset

	Depreciation allowance in excess of related depreciation US\$	Right-of-use asset US\$	Defined benefit obligations US\$	Total US\$
At 1 April 2021	(4,752)	(2,808)	111,591	104,031
Deferred tax credited/(charged) to profit or loss during the year (note 9)	(22,872)	17,712	(13,931)	(19,091)
Deferred tax credited to other comprehensive income during the year	-	-	33,523	33,523
At 31 March 2022	<u>(27,624)</u>	<u>14,904</u>	<u>131,183</u>	<u>118,463</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

15. DEFERRED TAX (continued)

Deferred tax liabilities

	Depreciation in excess of related depreciation allowance US\$
At 1 April 2021	-
Deferred tax charged to profit or loss during the year (note 9)	32,195
Exchange realignment	<u>(50)</u>
At 31 March 2022	<u>32,145</u>

16. INVENTORIES

	2023 US\$	2022 US\$
Raw materials	18,376,777	10,727,488
Work in progress	4,794,837	3,141,002
Finished goods	6,068,398	3,798,006
Good in transit	<u>1,411,665</u>	<u>669,643</u>
	30,651,677	18,336,139
Provision for inventories	<u>(122,143)</u>	<u>(205,326)</u>
	<u>30,529,534</u>	<u>18,130,813</u>

At 31 March 2023, certain of the Group's inventories were pledged as security for the Group's bank loans.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

17. TRADE AND OTHER RECEIVABLES

	Notes	2023 US\$	2022 US\$
Trade receivables	(a)	12,964,081	38,386,449
Less: impairment	(a)	(350)	(235,079)
Other receivables	(b)	<u>12,963,731</u> <u>401,998</u>	<u>38,151,370</u> <u>113,762</u>
		<u>13,365,729</u>	<u>38,265,132</u>

- (a) The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 days to 90 days. The Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing. The Group does not hold any collateral or other credit enhancements over these balances. Movements in the loss allowance for trade receivables are as follows:

	2023 US\$	2022 US\$
At the beginning of the year	235,079	-
(Reversal of impairment losses)/impairment losses, net (note 7)	(234,729)	346,721
Amount written off as uncollectible	<u>-</u>	(111,642)
At the end of the year	<u>350</u>	<u>235,079</u>

31 March 2023

17. TRADE AND OTHER RECEIVABLES (continued)

(a) (continued)

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss model for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses have also incorporated forward-looking information.

Set out below is the information about the credit risk exposure on the Group'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\$	6 to 12 months US\$	Over 12 months US\$	
Gross carrying amount	12,527,922	345,327	46,029	31,212	13,591	12,964,081
Expected credit loss rate	0.00%	0.01%	0.04%	0.37%	0.00%	0.42%
Expected credit losses	192	25	16	117	-	350

As at 31 March 2022

	Current US\$	Past due				Total US\$
		Less than 1 month US\$	1 to 6 months US\$	6 to 12 months US\$	Over 12 months US\$	
Gross carrying amount	33,293,346	1,915,917	3,177,178	8	-	38,386,449
Expected credit loss rate	0.44%	0.98%	2.21%	12.5%	N/A	0.61%
Expected credit losses	145,938	18,869	70,271	1	-	235,079

At 31 March 2023, certain of the Group's trade receivables were pledged to secure banking facilities granted to the Group.

- (b) The carrying amount of other receivables approximated to their fair value as at 31 March 2023 and 2022. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit losses as at 31 March 2023 and 2022 were considered to be minimal.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

18. CASH AND CASH EQUIVALENTS AND NON-PLEDGED TIME DEPOSITS

	Note	2023 US\$	2022 US\$
Cash and bank balance and short term non-pledged time deposits	(a)	14,659,243	6,529,269
Non-pledged time deposits	(b)	<u>1,003,792</u>	<u>1,059,181</u>
		<u>15,663,035</u>	<u>7,588,450</u>

(a) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for period of three months or less depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

(b) Non-pledged time deposits are made for period of six months, and earn interest at the respective time deposit rates. The time deposits are deposited with creditworthy banks with no recent history of default.

19. TRADE AND OTHER PAYABLES

	Note	2023 US\$	2022 US\$
Trade payables	(a)	11,038,470	6,273,687
Other payables		3,914,684	1,850,555
Accruals		<u>3,101,250</u>	<u>3,284,692</u>
		<u>18,054,404</u>	<u>11,408,934</u>

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

20. LOANS FROM NON-CONTROLLING SHAREHOLDERS

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

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

21. INTEREST-BEARING BANK BORROWINGS AND OTHER BORROWINGS

	2023 US\$	2022 US\$
Current		
<i>Bank borrowings</i>		
Secured:		
Term loans	4,353,922	4,977,300
Discounted bills	83,172	477,753
Trust receipt loans	16,898,190	14,933,116
Bank overdraft	749,908	1,824,638
Import loans	1,701,415	1,398,116
Export loan	417,947	575,122
Packing credit loan	777,060	-
Overdraft loan	258,876	-
	<u>25,240,490</u>	<u>24,186,045</u>
<i>Other borrowings</i>		
Unsecured:		
Trade advances	-	2,846,545
	<u>-</u>	<u>2,846,545</u>
Non-current		
<i>Bank borrowings</i>		
Secured:		
Term loans	1,010,440	1,310,942
Import loan	194,874	371,178
	<u>1,205,314</u>	<u>1,682,120</u>
	<u>26,445,804</u>	<u>28,714,710</u>

- (a) Certain term loans were repayable beyond one year but classified as current liabilities as they included repayable on demand clauses.
- (b) The bank borrowing facilities are secured by part of the Group's property, plant and equipment, inventories, and trade receivables. The bank borrowings also have corporate guarantee provided by the ultimate holding company and a fellow subsidiary and personal guarantee provided by directors of the Company.
- (c) Except for certain of the Group's bank borrowings which bears floating interest rate with reference to benchmark rates of HIBOR, LIBOR and SOFR, the contractual interest rate of the other Group's bank borrowings in 2023 ranges from 4.50% to 9.00% per annum (2022: 1.75% to 9.00% per annum).
- (d) The other borrowings from prior year bore interest rate at 5.25% per annum and repayable within one year.
- (e) All borrowings are denominated in United States dollars, Bangladeshi Takas ("BDT") and Vietnamese Dong ("VND").

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

22. DEFINED BENEFIT OBLIGATIONS

The Group has made provision for estimated liabilities for employee benefits to meet the statutory requirement for employees in Indonesia and Bangladesh. The Group is required to pay separation, appreciation and compensation benefits to their employees if the specific conditions in the corresponding jurisdictions are met.

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

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

	2023	2022
Discount rate	7.00%-7.75%	7.00%
Expected rate of salary increase	6.00%-7.00%	3.00%

A quantitative sensitivity analysis for significant assumption as at the end of the reporting period is shown below:

	Increase in rate %	Increase/ (decrease) in net defined benefit obligations US\$	Decrease in rate %	Increase/ (decrease) in net defined benefit obligations US\$
At 31 March 2023				
Discount rate	1.0	(76,695)	1.0	86,678
Expected rate of salary increases	1.0	94,369	1.0	(84,281)
At 31 March 2022				
Discount rate	1.0	(55,040)	1.0	63,707
Expected rate of salary increases	1.0	69,648	1.0	(60,861)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

22. DEFINED BENEFIT OBLIGATIONS (continued)

The total expenses/(income) recognised in the consolidated statement of profit or loss in respect of the defined benefit obligations are as follows:

	2023 US\$	2022 US\$
Interest cost	113,486	60,050
Current service cost	43,584	37,790
Past Service cost	(83,144)	(161,592)
Loss on settlement	<u>50,803</u>	<u>15,546</u>
Net benefit expenses/(income)	<u>124,729</u>	<u>(48,206)</u>

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

	2023 US\$	2022 US\$
At 1 April	688,315	597,398
Business combination	79,813	-
Net benefit expense/(income)	124,729	(48,206)
Actuarial gains/(losses) arising from changes in:		
- financial assumptions	112,576	148,980
- demographic assumptions	-	(77)
Experience adjustments	-	3,475
Benefit paid	(90,543)	(15,114)
Exchange differences	<u>(11,602)</u>	<u>1,859</u>
At 31 March	<u>903,288</u>	<u>688,315</u>

23. SHARE CAPITAL

	2023 US\$	2022 US\$
Issued and fully paid: 1,610,000 (2022: 1,610,000) ordinary shares	<u>9,060,000</u>	<u>9,060,000</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

24. BUSINESS COMBINATION

On 4 September 2022, the Group acquired 100% equity interest in substance in Alpha Clothing Limited from a third party. Alpha Clothing is engaged in the manufacture readymade garments item and allied products. The acquisition was made as part of the Group's strategy to expand its market share of garment products in the Bangladesh. The purchase consideration for the acquisition was in the form of cash, with US\$1,045,081 paid at the acquisition date and the remaining US\$490,075 and US\$470,473 to be paid by 31 March 2023 and 31 July 2024. During the year, the sellers agreed to unconditionally defer the second payment of US\$490,075.

The fair values of the identifiable assets and liabilities of Alpha Clothing Limited as at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition US\$
Property, plant and equipment	10	3,881,909
Right-of-use assets	11(a)	32,961
Inventories		2,454,173
Trade and other receivables		963,500
Deposits and prepayments		439,759
Amount due from related parties		1,098,941
Cash and cash equivalent		1,269,310
Trade and other payables		(3,009,993)
Amount due to a related party		(670,318)
Interest-bearing bank borrowings		(3,342,002)
Lease liabilities	11(b)	(35,479)
Tax payables		(361,374)
Deferred tax liabilities	15	(62,750)
Defined benefit obligations	22	(79,813)
		<u>2,578,824</u>
Total identifiable net assets at fair value		
Gain on bargain purchase recognised in other income and gains in the consolidated statement of profit or loss		(630,647)
		<u>1,948,177</u>
Consideration at net present value		57,452
Discounted amount		<u>2,005,629</u>
Satisfied by cash		

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

24. BUSINESS COMBINATION (continued)

The Group incurred certain transaction costs for this acquisition. These transaction costs have been expensed and are included in administrative and other operating expenses in the consolidated statement of profit or loss.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	US\$
Cash consideration at net present value	(1,948,177)
Unpaid consideration at net present value	903,096
Cash and bank balance acquired	<u>1,269,310</u>
Net inflow of cash and cash equivalents included in cash flows from investing activities	<u>224,229</u>

Since the acquisition, Alpha Clothing Limited recorded a revenue of US\$11,191,777 and generated a profit of US\$1,288,046 on a standalone entity level. After excluding the intercompany sales, Alpha Clothing Limited contributed US\$6,993,697 to the Group's revenue and a loss of US\$2,910,034 to the consolidated profit for the year ended 31 March 2023.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of US\$103,570 (2022: US\$4,254,864) and US\$103,570 (2022: US\$2,938,078), respectively, in respect of the lease arrangements for office premises, factories and machineries.

(b) Changes in liabilities arising from financing activities are as follows:

	Loans from non-controlling shareholders US\$	Consideration payable to non- controlling interests US\$	Interest- bearing bank borrowings US\$	Other borrowings US\$	Lease liabilities US\$	Total US\$
At 1 April 2021	80,000	-	13,837,686	-	116,107	14,033,793
Changes from						
financing cash flows	225,000	-	11,948,800	2,846,545	(502,332)	14,518,013
New leases	-	-	-	-	2,938,078	2,938,078
Interest expense	-	-	1,014,373	-	235,952	1,250,325
Interest paid classified as operating cash flows	-	-	(1,014,373)	-	-	(1,014,373)
Change in bank overdraft	-	-	40,372	-	-	40,372
Exchange realignment	-	-	41,307	-	(22,294)	19,013
At 31 March 2022 and at 1 April 2022	305,000	-	25,868,165	2,846,545	2,765,511	31,785,221
Changes from						
financing cash flows	-	-	(2,347,683)	(2,846,545)	(491,149)	(5,685,377)
Business combination	-	903,096	3,342,002	-	35,479	4,280,577
New leases	-	-	-	-	103,570	103,570
Interest expense	-	26,999	2,742,176	-	208,484	2,977,659
Lease modification	-	-	-	-	72,233	72,233
Interest paid classified as operating cash flows	-	-	(2,742,176)	-	-	(2,742,176)
Change in bank overdraft	-	-	(874,730)	-	-	(874,730)
Exchange realignment	-	-	458,050	-	(452,345)	5,705
At 31 March 2023	<u>305,000</u>	<u>930,095</u>	<u>26,445,804</u>	<u>-</u>	<u>2,241,783</u>	<u>29,922,682</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

26. CONTINGENT LIABILITIES

The Group had undertaken the letters of credit of US\$6,649,907 (2022: US\$3,037,251) granted to third party suppliers for sourcing of raw materials. Accordingly, the Group has not made any provision arising from the letter of credit.

27. RELATED PARTY TRANSACTIONS

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

	Notes	2023 US\$	2022 US\$
Fellow subsidiaries:			
Sales of products	(i)	4,036,490	64,358,892
Purchase of stocks	(ii)	97,538,561	117,783,839
Marketing fees	(v)	1,380,000	-
Claim recovery fee	(vi)	545,362	-
Ultimate holding company:			
Sales of products	(i)	499,603	2,304,126
Purchase of stocks	(ii)	51,159,397	41,288,393
Corporate guarantee charges	(iii)	187,952	147,551
IT system charges	(iv)	<u>168,151</u>	<u>-</u>

Notes:

- (i) The sales of products were based on terms mutually agreed between the parties.
- (ii) The purchase of stocks were based on terms mutually agreed between the parties.
- (iii) Corporate guarantee charges were charged based on mutually agreed between the parties.
- (iv) IT system charges were charged based on mutually agreed between the parties.
- (v) Marketing fees were charged based on mutually agreed between the parties.
- (vi) Claim recovery charges were charged based on mutually agreed between the parties.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

27. RELATED PARTY TRANSACTIONS (continued)

(b) Other transaction with related parties

The Company provided unlimited guarantee for banking facilities to DSSP Global Limited and Pearl Global Creations Limited and guarantee of BDT1,780,000,000 (2022: BDT1,780,000,000), which is equivalent to approximately US\$16,952,381, for the banking facilities to Norp Knit Industries Limited.

Norp Knit Industries Limited has guaranteed certain bank borrowings made to the Group's subsidiary of up to US\$2,841,702 (2022: US\$4,843,449) as at the end of the reporting period.

(c) Outstanding balances with related parties

The amounts due to the ultimate holding company and fellow subsidiaries are unsecured, interest-free and repayable on demand.

(d) The key management personnel of the Group comprises the directors of the Company. Further details of directors' emoluments are included in note 8 to the financial statements.

28. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

At 31 March 2023

<u>Financial assets</u>	Financial assets at fair value through other comprehensive income US\$	Financial assets at amortised cost US\$	Total US\$
Insurance policy	2,973,352	-	2,973,352
Trade and other receivables	-	13,365,729	13,365,729
Financial assets included in deposits and prepayments	-	1,052,739	1,052,739
Loan receivables	-	119,778	119,778
Non-pledged time deposits	-	1,003,792	1,003,792
Cash and cash equivalents	-	14,659,243	14,659,243
	<u>2,973,352</u>	<u>30,201,281</u>	<u>33,174,633</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

28. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

At 31 March 2023 (continued)

Financial liabilities

	Financial liabilities at amortised cost US\$
Financial liabilities included in trade and other payables	16,010,984
Amount due to the ultimate holding company	4,338,831
Amounts due to fellow subsidiaries	7,255,031
Consideration payable to non-controlling interests	930,095
Loans from non-controlling shareholders	305,000
Interest-bearing bank borrowings	26,445,804
Lease liabilities	<u>2,241,783</u>
	<u><u>57,527,528</u></u>

At 31 March 2022

Financial assets

	Financial assets at fair value through other comprehensive income US\$	Financial assets at amortised cost US\$	Total US\$
Insurance policy	2,904,908	-	2,904,908
Trade and other receivables	-	38,265,132	38,265,132
Financial assets included in deposits and prepayments	-	84,836	84,836
Cash and cash equivalents	-	<u>7,588,450</u>	<u>7,588,450</u>
	<u>2,904,908</u>	<u>45,938,418</u>	<u>48,843,326</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

28. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

At 31 March 2022 (continued)

Financial liabilities

	Financial liabilities at amortised cost US\$
Financial liabilities included in trade and other payables	9,249,872
Amount due to the ultimate holding company	5,207,429
Amounts due to fellow subsidiaries	19,665,821
Loans from non-controlling shareholders	305,000
Interest-bearing bank borrowings	25,868,165
Other borrowings	2,846,545
Lease liabilities	<u>2,765,511</u>
	<u>65,908,343</u>

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The following table provides the fair value measurement hierarchy of the Group's financial instruments as at 31 March 2023 and 2022:

Assets measured at fair value:

	Fair value measurement using			Total US\$
	Quoted prices in active markets (Level 1) US\$	Significant observable inputs (Level 2) US\$	Significant unobservable inputs (Level 3) US\$	
At 31 March 2023				
Interest in insurance policy	-	<u>2,973,352</u>	-	<u>2,973,352</u>
At 31 March 2022				
Interest in insurance policy	-	<u>2,904,908</u>	-	<u>2,904,908</u>

During the year, there were no transfers of fair value measurement between Level 1 and Level 2, and no transfer into or out of Level 3 for financial liabilities (2022: Nil).

The fair value of interest in insurance policy is derived from the quoted prices provided by financial institutions.

31 March 2023

29. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of the Group's financial instruments other than financial assets at fair value through other comprehensive income approximate to their carrying amounts largely due to the short term maturities of these instruments.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

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

Trade receivables

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

For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 17 to the financial statements.

Other financial assets at amortised cost

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

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

Foreign currency risk

The Group's transaction currency exposures arise from cash and cash equivalent and payment denominated in currencies other than the functional currencies, primarily Hong Kong dollar ("HKD"), Indonesian Rupiah ("IRF"), Vietnamese Dong ("VND") and Bangladeshi taka ("BDT").

Since Hong Kong dollar is pegged to the United States dollar, the Group's exposure to foreign currency risk in respect of the financial instruments denominated in Hong Kong dollar is considered to be minimal.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

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

	Change in exchange rate %	Change in profit before tax US\$	Change in equity US\$
2023			
If the United States dollar weakens against IDR	10	45,402	813,662
If the United States dollar strengthen against IDR	(10)	(45,402)	(813,662)
If the United States dollar weakens against VND	10	23,625	390,596
If the United States dollar strengthen against VND	(10)	(23,625)	(390,596)
If the United States dollar weakens against BDT	10	308,001	648,066
If the United States dollar strengthen against BDT	(10)	(308,001)	(648,066)
2022			
If the United States dollar weakens against IDR	10	(37,995)	(37,995)
If the United States dollar strengthen against IDR	(10)	37,995	37,995
If the United States dollar weakens against VND	10	(618,713)	128,298
If the United States dollar strengthen against VND	(10)	618,713	(128,298)
If the United States dollar weakens against BDT	10	(118,692)	72,378
If the United States dollar strengthen against BDT	(10)	118,692	(72,378)

Liquidity risk

The Group aims to maintain sufficient cash and credit lines to meet its liquidity requirements. Due to the dynamic business nature, the Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings, including term loans, bank overdrafts, discounted bills and trust receipt loans.

The table below summarises the maturity profile of the Group's financial liabilities, including issued financial guarantee contracts at 31 March based on contractual undiscounted payments including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

2023

	On demand US\$	Less than 12 months US\$	1 to 5 years US\$	5 years US\$	Total US\$
Financial liabilities included in trade and other payables	-	16,010,984	-	-	16,010,984
Lease liabilities	-	273,541	958,032	2,777,991	4,009,564
Amount due to the ultimate holding company	4,338,831	-	-	-	4,338,831
Amounts due to fellow subsidiaries	7,255,031	-	-	-	7,255,031
Consideration payable to non-controlling interests	-	490,075	470,473	-	960,548
Interest-bearing bank borrowings#	749,908	22,812,769	3,591,202	-	27,153,879
Loans from non-controlling shareholders	305,000	-	-	-	305,000
	<u>12,648,770</u>	<u>39,587,369</u>	<u>5,019,707</u>	<u>2,777,991</u>	<u>60,033,837</u>

2022

	On demand US\$	Less than 12 months US\$	1 to 5 years US\$	Over 5 years US\$	Total US\$
Financial liabilities included in trade and other payables	-	9,249,872	-	-	9,249,872
Lease liabilities	-	440,666	1,056,071	3,664,210	5,160,947
Amount due to the ultimate holding company	5,207,429	-	-	-	5,207,429
Amounts due to fellow subsidiaries	19,665,821	-	-	-	19,665,821
Interest-bearing bank borrowings#	1,824,638	20,336,157	4,253,811	218,738	26,633,344
Other borrowings	-	2,846,545	-	-	2,846,545
Loans from non-controlling shareholders	305,000	-	-	-	305,000
	<u>27,002,888</u>	<u>32,873,240</u>	<u>5,309,882</u>	<u>3,882,948</u>	<u>69,068,958</u>

Ignored the effect of repayment on demand clauses

31 March 2023

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk

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

As at 31 March 2023, 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\$95,476 (2022: US\$152,050) as a result of higher/lower interest expenses on interest-bearing bank and other borrowings with floating interest rates.

Capital management

The primary objectives of the Group's capital management are to (i) safeguard the Group's ability to continue as a going concern; (ii) provide returns for shareholders and benefits for other stakeholders; (iii) support the Group's stability and growth; and (iv) provide capital for the purpose of strengthening the Group's risk management capability.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2023 and 31 March 2022.

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

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

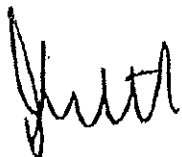
	2023 US\$	2022 US\$
NON-CURRENT ASSETS		
Property, plant and equipment	4,919	8,528
Interests in subsidiaries	18,466,549	16,383,057
Financial assets at fair value through other comprehensive income	2,973,352	2,904,906
Loan receivables	-	-
Total non-current assets	<u>21,444,820</u>	<u>19,296,491</u>
CURRENT ASSETS		
Trade and other receivables	9,856,405	29,613,150
Amounts due from subsidiaries	-	6,005,570
Deposits and prepayment	271,489	9,482
Loan receivable	100,856	-
Cash and cash equivalents	8,040,774	5,693,276
Time deposits	1,003,792	-
Total current assets	<u>19,273,316</u>	<u>41,321,478</u>
CURRENT LIABILITIES		
Trade and other payables	2,140,082	2,179,061
Amounts due to subsidiaries	5,344,089	-
Amount due to the ultimate holding company	4,314,126	7,594,670
Amounts due to fellow subsidiaries	6,313,791	23,825,961
Consideration payable to a non-controlling interest	517,074	-
Interest-bearing bank and other borrowings	2,865,563	8,113,950
Total current liabilities	<u>21,494,725</u>	<u>41,713,642</u>
NET CURRENT LIABILITIES	<u>(2,221,409)</u>	<u>(392,164)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>18,810,390</u>	<u>18,904,327</u>
NON-CURRENT LIABILITIES		
Consideration payable to a non-controlling interest	413,021	-
Net assets	<u>18,810,390</u>	<u>18,904,327</u>

PEARL GLOBAL (HK) LIMITED
 NOTES TO FINANCIAL STATEMENTS

31 March 2023

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

	2023 US\$	2022 US\$
EQUITY		
Share capital	9,060,000	9,060,000
Reserves(note)	9,750,390	9,844,327
	<u>18,810,390</u>	<u>18,904,327</u>



Deepak Kumar SETH
 Director



Pulkit SETH
 Director

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

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

Note:

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

	Share option reserve US\$	Revaluation reserve US\$	Retained profits US\$	Total US\$
At 1 April 2021	-	194,797	6,347,062	6,541,859
Profit for the year	-	-	3,235,635	3,235,635
Other comprehensive income for the year:				
Change in fair value of financial assets at fair value through other comprehensive income	-	66,833	-	66,833
At 31 March 2022 and 1 April 2022	-	261,630	9,582,697	9,844,327
Profit for the year	-	-	581,755	581,755
Other comprehensive income for the year:				
Change in fair value of financial assets at fair value through other comprehensive income	-	68,447	-	68,447
Equity-settled share option arrangements	5,861	-	-	5,861
Final dividend 2022	-	-	(250,000)	(250,000)
Interim dividend 2023	-	-	(500,000)	(500,000)
At 31 March 2023	<u>5,861</u>	<u>330,077</u>	<u>9,414,452</u>	<u>9,750,390</u>

32. EVENT AFTER THE REPORTING PERIOD

Subsequent to the year-end, the Group has entered into a sale and purchase agreement with the non-controlling party to acquire the remaining 20% equity interest of a subsidiary, Pearl Grass Creations Limited. The subsidiary will be a wholly-owned subsidiary of Pearl Global (HK) Limited upon completion.

Throughout the year and subsequent to the year-end, the Group was in negotiation with the shareholders of Trinity Clothing Limited ("target") to acquire the entire equity interest of the target, which engages in the garment trading. The Group has acquired Trinity Clothing Limited to further expand its business operation, expecting to benefit from the synergies of broader customer base.

PEARL GLOBAL (HK) LIMITED

NOTES TO FINANCIAL STATEMENTS

31 March 2023

33. DIVIDENDS

	2023 US\$	2022 US\$
Proposed final – US0.32 cent (2022: US0.16 cent) per ordinary share	500,000	250,000
Interim – US0.32 cent (2022: Nil) per ordinary share	<u>500,000</u>	<u>-</u>
	<u>1,000,000</u>	<u>250,000</u>

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

34. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

