

**PEARL GLOBAL FAREAST LIMITED**

**REPORTS**

**AND**

**FINANCIAL STATEMENTS**

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

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

## PEARL GLOBAL FAREAST LIMITED

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# PEARL GLOBAL FAREAST LIMITED

## DIRECTORS' REPORT

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

### PRINCIPAL ACTIVITY

The principal activity of the Company is trading of garments.

### RESULT AND APPROPRIATIONS

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

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

### SHARE CAPITAL AND RESERVES

Details and movements of share capital of the Company are set out in Note (17) to the financial statements.

### PLANT AND EQUIPMENT

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

### DIRECTORS

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

Deepak Kumar SETH

Pulkit SETH

Sanjay Kumar SARKER

Sweta AGARWAL

(Appointed on August 30, 2017  
and resigned on November 17, 2017)

There being no provision in the Company's Articles of Association to the contrary, all directors continue in office for the ensuing year.

## PEARL GLOBAL FAREAST LIMITED

### DIRECTORS' REPORT (CONT'D)

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

Except for the related party transactions as disclosed in Note (18) to the financial statements, no transactions, arrangements and contracts of significance in relation to the Company's business to which the Company was a party and in which directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

#### MANAGEMENT CONTRACTS

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

#### PERMITTED INDEMNITY PROVISION

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

#### BUSINESS REVIEW

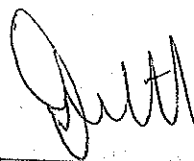
The Company falls within reporting exemption for the financial year. Accordingly, the Company is exempted from preparing a business review for this financial year.

#### AUDITORS

During the year, Messrs. Ernst & Young, resigned and Messrs. Louis Lai & Luk CPA Limited has been appointed as the auditors of the Company. They now retire and, being eligible, offer themselves for re-appointment.

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On behalf of the Board



Deepak Kumar SETH  
Chairman

Hong Kong.

# PEARL GLOBAL FAREAST LIMITED

## DIRECTORS' REPORT (CONT'D)

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On behalf of the Board

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Deepak Kumar SETH  
Chairman

Hong Kong,

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBER OF  
PEARL GLOBAL FAREAST LIMITED  
(incorporated in Hong Kong with limited liability)**

**Opinion**

We have audited the financial statements of Pearl Global Fareast Limited (the "Company") set out on pages 6 to 23, which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

**Basis for Opinion**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



Louis Lai & Luk CPA Limited  
Certified Public Accountants

Luk Wing Hay  
Practising Certificate Number P01623

Hong Kong,



**PEARL GLOBAL FAREAST LIMITED**

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

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

	<u>NOTES</u>	<u>2018</u>	<u>2017</u>
		US\$	US\$
REVENUE	(6)	25,770,962	18,796,920
COST OF SALES		<u>(21,978,684)</u>	<u>(15,974,552)</u>
GROSS PROFIT		3,792,278	2,822,368
OTHER INCOME		39,400	264,491
DEPRECIATION		(263)	(506)
STAFF COST		(77,689)	(135,997)
OTHER OPERATING EXPENSES		(2,953,893)	(1,799,747)
FINANCE COSTS	(7)	<u>(39,600)</u>	<u>(39,600)</u>
PROFIT BEFORE TAXATION	(8)	760,233	1,111,009
TAXATION	(9)	<u>-</u>	<u>-</u>
PROFIT FOR THE YEAR		<u><u>760,233</u></u>	<u><u>1,111,009</u></u>

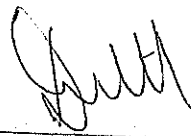
THE NOTES ON PAGES 10 TO 23 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

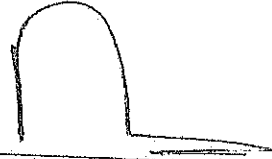
**PEARL GLOBAL FAREAST LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	NOTES	2018	2017
		US\$	US\$
<b>Non-Current Assets</b>			
Plant and equipment	(10)	-	263
<b>Current Assets</b>			
Trade receivables	(11)	6,194,508	3,893,846
Prepayments		1,234	1,454,564
Amount due from a director	(12)	-	46,401
Amount due from a fellow subsidiary	(12)	5,079,500	4,425,500
Loan to a third party	(13)	1,864,148	-
Cash and cash equivalents		550,987	742,616
		13,690,377	10,562,927
<b>Current Liabilities</b>			
Other payables and accruals	(14)	116,169	17,585
Amount due to holding company	(15)	1,177,402	1,288,643
Amount due to fellow subsidiaries	(16)	4,956,113	2,576,502
		6,249,684	3,882,730
Net Current Assets		7,440,693	6,680,197
<b>NET ASSETS</b>		7,440,693	6,680,460
<b>EQUITY</b>			
Share capital	(17)	4,335,000	4,335,000
Retained earnings		3,105,693	2,345,460
<b>TOTAL EQUITY</b>		7,440,693	6,680,460

APPROVED BY THE BOARD OF DIRECTORS ON  
OF THE BOARD BY:

AND SIGNED ON BEHALF

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

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

THE NOTES ON PAGES 10 TO 23 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**PEARL GLOBAL FAREAST LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED MARCH 31, 2018**

	<u>Share Capital</u>	<u>Retained Profits</u>	<u>Total</u>
	US\$	US\$	US\$
At April 1, 2016	2,335,000	1,234,451	3,569,451
Capital contribution from the immediate holding company	2,000,000	-	2,000,000
Total comprehensive income for the year	<u>-</u>	<u>1,111,009</u>	<u>1,111,009</u>
At March 31, 2017 and April 1, 2017	4,335,000	2,345,460	6,680,460
Total comprehensive income for the year	<u>-</u>	<u>760,233</u>	<u>760,233</u>
At March 31, 2018	<u>4,335,000</u>	<u>3,105,693</u>	<u>7,440,693</u>

THE NOTES ON PAGES 10 TO 23 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

**PEARL GLOBAL FAREAST LIMITED**

**STATEMENT OF CASH FLOWS**

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

	<u>2018</u>	<u>2017</u>
	US\$	US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	760,233	1,111,009
Adjustment for:		
Bank interest income	(1,801)	(13,273)
Depreciation	<u>263</u>	<u>506</u>
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	758,695	1,098,242
Increase/(decrease) in prepayments	1,453,330	(48,478)
Increase in trade receivables	(2,300,662)	(1,992,735)
Net receipts from/(payment to) fellow subsidiaries	1,725,611	(3,355,220)
Net receipts from a director	46,401	-
Net payment to/(receipts from) holding company	(111,241)	412,505
Increase/(decrease) in other payables and accruals	<u>98,584</u>	<u>(11,331)</u>
<b>CASH GENERATED FROM/(USED IN) OPERATION</b>	1,670,718	(3,897,017)
Interest received	<u>1,801</u>	<u>13,273</u>
Net cash generated from/(used in) operating activities	<u>1,672,519</u>	<u>(3,883,744)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Increase in loan to a third party	<u>(1,864,148)</u>	<u>-</u>
Net cash used in investing activities	<u>(1,864,148)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital contribution from the immediate holding company	-	2,000,000
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(191,629)	(1,883,744)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<u>742,616</u>	<u>2,626,360</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<u><u>550,987</u></u>	<u><u>742,616</u></u>

THE NOTES ON PAGES 10 TO 23 FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# PEARL GLOBAL FAREAST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL

Pearl Global Fareast Limited is a company incorporated in Hong Kong with limited liability. Its principal activity is trading of garments. The address of its registered office is Unit 801-3, 8/F., 9 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong. The directors consider that the ultimate holding company is Pearl Global Industries Limited. The ultimate holding company is incorporated in India. The shares of the ultimate holding company are listed on the Bombay Stock Exchange and National Stock Exchange in India.

### 2. PRINCIPAL ACCOUNTING POLICIES

#### a. Basis of Preparation

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

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

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

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

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

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

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

# PEARL GLOBAL FAREAST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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

#### d. Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated identified impairment loss, if any.

Depreciation is provided to write off the cost less residual value of property, plant and equipment over its expected useful lives. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	25%
Office equipment	33 1/3%
Computer equipment	33 1/3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The gain or loss on disposal 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 the statement of profit or loss and other comprehensive income.

When assets are sold or otherwise disposed of, their carrying amounts are written off from the financial statements and any resulting gain or loss is included in the statement of profit or loss and other comprehensive income.

#### e. Impairment of Assets

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

# PEARL GLOBAL FAREAST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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

#### f. Financial Instruments

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

#### g. Financial Assets

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

#### h. Loans and Receivables

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

#### i. Financial Liabilities

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

The Company's financial liabilities include other payables and accruals, amounts due to fellow subsidiaries and holding company which are subsequently measured at amortized cost, using the effective interest method.

#### j. Equity Instruments

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

# PEARL GLOBAL FAREAST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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

#### k. Cash and Cash Equivalents

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

#### l. Translation of Foreign Currency

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

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

##### (ii) Transactions and balances

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

#### m. Taxation

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

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

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

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



# PEARL GLOBAL FAREAST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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

#### n. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

#### o. Recognition of Revenue

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

- Revenue from sales of goods is recognised when goods are delivered to buyers.
- Interest income is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Other income is recognised on a receipt basis.

#### p. Borrowing Costs

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

#### q. Loan and borrowings

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

# PEARL GLOBAL FAREAST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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

#### r. Related Parties

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

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

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

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

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

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

# PEARL GLOBAL FAREAST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

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

#### s. Financial Risks

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

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

### 3. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

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

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

# PEARL GLOBAL FAREAST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 4. FINANCIAL RISK MANAGEMENT

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

- Credit risk: the Company has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Company has policies that limit the amount of credit exposure to any customers.
- Liquidity risk: ultimate responsibility for liquidity risk management rest with the board of directors. As the fellow subsidiaries and holding company have confirmed the willingness to provide continuous financial support to the Company, the directors are of the opinion that the Company is adequately protected from the liquidity risk.
- Interest rate risk: the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company has no significant interest-bearing assets.

### 5. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

#### Estimate of fair values of current assets and liabilities

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

# PEARL GLOBAL FAREAST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 6. REVENUE, OTHER INCOME AND GAINS

	<u>2018</u>	<u>2017</u>
	US\$	US\$
Revenue recognised during the year including revenue arising from:		
Revenue:		
Sales of goods	25,770,962	18,796,920
	-----	-----
Other income and gains		
Bank interest income	1,801	13,273
Other interest income	37,100	-
Discount claimed	-	251,218
Exchange gain, net	499	-
	-----	-----
	39,400	264,491
	-----	-----
Total revenue recognised	25,810,362	19,061,411
	=====	=====

### 7. FINANCE COSTS

Interest on amount due to the immediate holding company	39,600	39,600
	=====	=====

### 8. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging and (crediting):

Auditors' remuneration	8,217	13,111
Depreciation	263	506
Employee benefit expense		
Staff cost (including director's remuneration)		
- Salaries and allowance	73,166	130,295
- Pension scheme contribution	3,404	4,751
	-----	-----
	76,570	135,046
Foreign exchange differences, net	(499)	7,273
	=====	=====

# PEARL GLOBAL FAREAST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 9. TAXATION

No Hong Kong profits tax has been provided in the financial statements as the income of the Company neither arises in nor is derived from Hong Kong.

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

### 10. PROPERTY, PLANT AND EQUIPMENT

	<u>Furniture and Fixtures</u>	<u>Office equipment</u>	<u>Computer equipment</u>	<u>Total</u>
	US\$	US\$	US\$	US\$
<u>Cost</u>				
At 1/4/2016, 31/3/2017, 1/4/2017 and 31/3/2018	12,296	2,996	5,629	20,921
	-----	-----	-----	-----
<u>Accumulated Depreciation</u>				
At 1/4/2016	12,296	2,996	4,860	20,152
Charge for the year	-----	-----	506	506
At 31/3/2017 and 1/4/2017	12,296	2,996	5,366	20,658
Charge for the year	-----	-----	263	263
At 31/3/2018	12,296	2,996	5,629	20,921
	-----	-----	-----	-----
<u>Net Carrying Amount</u>				
At 31/3/2018	-----	-----	-----	-----
At 31/3/2017	-----	-----	263	263
	-----	-----	-----	-----

# PEARL GLOBAL FAREAST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

11. <u>TRADE RECEIVABLES</u>	<u>2018</u>	<u>2017</u>
	US\$	US\$
Trade receivables (Note (i))	6,194,508	3,893,846
	<u>-</u>	<u>1,454,564</u>
	<u>6,194,508</u>	<u>5,348,410</u>
(i) Aging analysis of trade receivables is as follows:		
Neither past due nor impaired	6,194,508	5,291,405
Past due but not impaired	<u>-</u>	<u>57,005</u>
	<u>6,194,508</u>	<u>5,348,410</u>

### 12. AMOUNT DUE FROM A DIRECTOR AND A FELLOW SUBSIDIARY

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

### 13. LOAN TO A THIRD PARTY

The loan to a third party is unsecured, interest bearing at 2% per annum and has no fixed terms of repayments. No provisions for bad and doubtful debts have been recognised on the loan to a third party. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

14. <u>OTHER PAYABLES AND ACCRUALS</u>	<u>2018</u>	<u>2017</u>
	US\$	US\$
Other payables	100,000	-
Accruals	<u>16,169</u>	<u>17,585</u>
	<u>116,169</u>	<u>17,585</u>

# PEARL GLOBAL FAREAST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 15. AMOUNT DUE TO HOLDING COMPANY

The amount due to holding company is unsecured interest bearing at 6% per annum and has no fixed terms of repayment. The holding company had agreed not demand repayment until the Company is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

### 16. AMOUNT DUE TO FELLOW SUBSIDIARIES

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

### 17. SHARE CAPITAL

	<u>2018</u>		<u>2017</u>	
	<u>No. of shares</u>	<u>Amount</u>	<u>No. of shares</u>	<u>Amount</u>
		US\$		US\$
Ordinary shares, issued and fully paid:				
At March 31	535,000	4,335,000	535,000	4,335,000
	=====	=====	=====	=====

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



# PEARL GLOBAL FAREAST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 18. RELATED PARTY TRANSACTIONS

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

<u>Name of Company</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>2018</u>	<u>2017</u>
			US\$	US\$
PT Pinnacle Apparels	Fellow subsidiaries	Discount claimed	-	251,218
		Purchase of goods	20,584,756	14,430,999
		Sampling expenses	-	-
Pearl Global Industries Limited	Ultimate holding Company	Purchase of goods	1,344,100	1,543,553
		Interest expenses	39,600	39,600
		Sampling expenses	40,600	11,310

### 19. CURRENCY RISK

#### (i) Exposure to currency risk

The following table details the Company's exposure at the end of reporting period to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the Company to which they relate. For presentation purpose, the amounts of the exposure are shown in United States dollars, translated using the spot rate at the end of reporting period.

	(Expressed in US\$)		(Expressed in US\$)	
	2018		2017	
	HK\$	Total	HK\$	Total
Deposit and prepayment	1,234	1,234	1,676	1,676
Bank and cash balances	8,474	8,474	9,184	9,184
Trade and other payables	(16,169)	(16,169)	(17,585)	(17,585)
	(6,461)	(6,461)	(6,725)	(6,725)

# PEARL GLOBAL FAREAST LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 19. CURRENCY RISK (CONT'D)

#### (ii) Sensitivity analysis

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

	<u>2018</u>		<u>2017</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Hong Kong dollar	(646)	646	(673)	673

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

The stated changes represent management's assessment of reasonably possible change in foreign exchange rates over the period until the next annual reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any change in movement in value of the Hong Kong dollar against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on Company's profit after tax and equity measured in the respective functional currencies, translated into United States dollars at the exchange rate ruling at the end of reporting period for presentation purposes. The analysis is performed on the same basis for 2017.

### 20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

### 21. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Company's Board of Directors on