

**PEARL GLOBAL (HK) LIMITED**

**REPORTS**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2016**

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

## PEARL GLOBAL (HK) LIMITED

### CONTENTS

	PAGES
DIRECTORS' CONSOLIDATED REPORT	1 - 2
INDEPENDENT AUDITOR'S REPORT	3 - 4
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6 - 7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	10 - 35
DETAILED STATEMENT OF COMPREHENSIVE INCOME (FOR MANAGEMENT INFORMATION ONLY)	36 - 37

**PEARL GLOBAL (HK) LIMITED**  
**DIRECTORS' CONSOLIDATED REPORT**

The directors present their consolidated report and the annual audited financial statements of the Group for the year ended March 31, 2016.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company are investment holding and garment trading. The principal activities of subsidiaries are set out in Note (21a) to the consolidated financial statements.

**RESULTS AND APPROPRIATIONS**

The results of the Company and its subsidiaries (the "Group") for the year are set out in the consolidated statement of comprehensive income on page 5.

During the year, interim dividend at US\$3.13 (2015: Nil) per share totaling US\$470,000 (2015: Nil) in the subsidiary has been declared by the directors and paid out of retained profits.

**PROPERTY, PLANT AND EQUIPMENT**

Movements in property, plant and equipment are set out in Note (12) to the consolidated financial statements.

**SHARE CAPITAL AND RESERVES**

Details of share capital of the Group are set out in Note (20) to the consolidated financial statements.

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

**DIRECTORS**

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

**Holding Company**

Mahesh Kumar SETH  
Deepak Kumar SETH  
Pulkit SETH  
Hari Krishnan THEVARVATTATH (Appointed on April 12, 2016)

**Subsidiaries**

Shefali SETH  
Deepak Kumar SETH  
Pulkit SETH  
Amit KUMAR

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 (HK) LIMITED

### DIRECTORS' CONSOLIDATED REPORT (CONT'D)

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

Except for the related party transactions as disclosed in Note (23) to the consolidated financial statements, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Group, any of its holding company, its subsidiaries or its fellow subsidiaries was a party and in which a director of the Group 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 or its subsidiary 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 any of the directors of the Company and holding company (whether made by the Company or otherwise) or an associated company (if made by the Company).

#### BUSINESS REVIEW

The Company is a wholly owned subsidiary of another body corporate. Accordingly, the Company is exempted from preparing a business review.

#### AUDITORS

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

By Order of the Board

\_\_\_\_\_  
Deepak Kumar SETH  
Chairman

Hong Kong,

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師

LUK WING HAY FCCA CPA (PRACTISING) 陸永熙會計師

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

We have audited the consolidated financial statements of Pearl Global (HK) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 5 to 35, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Directors' responsibility for the financial statements**

The directors are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

**Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, in accordance with sections 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**LOUIS LAI & LUK CPA LIMITED** CERTIFIED PUBLIC ACCOUNTANTS  
黎劍民、陸永熙會計師事務所有限公司

LOUIS K.M. LAI FCCA CPA (PRACTISING) 黎劍民會計師

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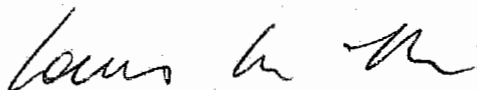
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**INDEPENDENT AUDITOR'S REPORT (CONT'D)**  
**TO THE MEMBER OF**  
**PEARL GLOBAL (HK) LIMITED**  
**(incorporated in Hong Kong with limited liability)**

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at March 31, 2016 and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.



Louis Lai & Luk CPA Limited  
Certified Public Accountants

Luk Wing Hay  
Practising Certificate Number P01623

Hong Kong.

**PEARL GLOBAL (HK) LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	<u>NOTES</u>	<u>2016</u>	<u>2015</u>
		US\$	(Restated) US\$
REVENUE	(6)	67,762,700	44,907,697
OTHER INCOME AND GAINS, NET	(6)	586,545	652,566
GAIN ON DISPOSAL OF PLANT AND EQUIPMENT		8,096	19,875
COST OF GOODS SOLD		(58,289,268)	(39,890,419)
STAFF COSTS		( 2,177,134)	( 2,027,663)
DEPRECIATION		( 123,343)	( 102,645)
OTHER OPERATING EXPENSES		( 5,481,222)	( 2,467,594)
PROFIT FROM OPERATION		2,286,374	1,091,817
FINANCE COSTS	(7)	( 380,393)	( 461,470)
PROFIT BEFORE TAXATION	(8)	1,905,981	630,347
TAXATION	(10)	( 441,792)	( 208,677)
PROFIT FOR THE YEAR		1,464,189	421,670
OTHER COMPREHENSIVE (EXPENSES)/INCOME		( 101,324)	28,629
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,362,865</u>	<u>450,299</u>
PROFIT ATTRIBUTABLE TO:			
Equity holders of the Company	(11)	1,342,920	391,408
Non-controlling interests		<u>121,269</u>	<u>30,262</u>
		<u>1,464,189</u>	<u>421,670</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Company		1,237,684	413,995
Non-controlling interests		<u>125,181</u>	<u>36,304</u>
		<u>1,362,865</u>	<u>450,299</u>

THE NOTES ON PAGES 10 TO 35 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

**PEARL GLOBAL (HK) LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2016**

	<u>NOTES</u>	<u>2016</u> US\$	<u>2015</u> (Restated) US\$
<b>Non-Current Assets</b>			
Property, plant and equipment	(12)	1,435,493	1,072,560
Deposits		133,858	133,858
Deferred tax assets	(10)	110,899	136,744
		1,680,250	1,343,162
<b>Current Assets</b>			
Inventories	(13)	785,652	738,492
Deposits and prepayments		1,979,979	2,946,886
Trade deposit paid		429,421	259,221
Trade and other receivables	(14)	15,130,231	7,339,081
Amounts due from fellow subsidiaries	(15)	-	36,458
Cash and bank balances		<u>2,475,946</u>	<u>773,599</u>
		20,801,229	12,093,737
<b>Current Liabilities</b>			
Amount due to a related company	(16)	-	50,000
Amount due to a fellow subsidiary	(16)	1,968,284	678,442
Amount due to ultimate holding company	(16)	2,913,972	6,120,872
Trade and other payables	(17)	3,711,723	1,207,459
Provision for taxation		265,790	56,450
Secured bank borrowings	(18)	<u>5,179,101</u>	<u>1,881,681</u>
		14,038,870	9,994,904
<b>Net Current Assets</b>		<u>6,762,359</u>	<u>2,098,833</u>
<b>Total Assets less Current Liabilities</b>		8,442,609	3,441,995
<b>Non-Current Liabilities</b>			
Employee benefits obligation	(19)	<u>210,458</u>	<u>159,456</u>
<b>NET ASSETS</b>		<u>8,232,151</u>	<u>3,282,539</u>

THE NOTES ON PAGES 10 TO 35 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.



**PEARL GLOBAL (HK) LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)**  
**AS AT MARCH 31, 2016**

	<u>NOTES</u>	<u>2016</u>	<u>2015</u>
		US\$	(Restated) US\$
<b>EQUITY</b>			
Share capital	(20)	4,890,000	1,610,000
Retained profits		<u>1,918,423</u>	<u>680,739</u>
Total equity attributable to equity holders of the company		6,808,423	2,290,739
Non-controlling interests		<u>1,423,728</u>	<u>991,800</u>
<b>TOTAL EQUITY</b>		<u><u>8,232,151</u></u>	<u><u>3,282,539</u></u>

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

AND SIGNED ON

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

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

THE NOTES ON PAGES 10 TO 35 FORM AN INTEGRAL PART OF THESE  
CONSOLIDATED FINANCIAL STATEMENTS.

**PEARL GLOBAL (HK) LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED MARCH 31, 2016**

	<u>Share Capital</u>	<u>Retained Profits</u>	<u>Non-controlling Interests</u>	<u>Total</u>
	US\$	US\$	US\$	US\$
At April 1, 2014, as previously reported	10,000	742,152	5,591	757,743
Prior year adjustment (Note 30)	<u>-</u>	<u>24,015</u>	<u>32</u>	<u>24,047</u>
At April 1, 2014, as at restated	10,000	766,167	5,623	781,790
Allotment of share capital	1,600,000	-	-	1,600,000
Total comprehensive income for the year	-	413,995	36,304	450,299
Disposal of partial interest of a subsidiary without losing control	<u>-</u>	<u>( 499,423)</u>	<u>949,873</u>	<u>450,450</u>
At March 31, 2016	1,610,000	680,739	991,800	3,282,539
Capital injection	3,280,000	-	-	3,280,000
Total comprehensive income for the year	-	1,237,684	125,181	1,362,865
Dividend declared to non-controlling interest shareholders	-	-	( 626)	( 626)
Disposal of partial interest of a subsidiary without losing control	<u>-</u>	<u>-</u>	<u>307,373</u>	<u>307,373</u>
At March 31, 2016	<u>4,890,000</u>	<u>1,918,423</u>	<u>1,423,728</u>	<u>8,232,151</u>

THE NOTES ON PAGES 10 TO 35 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

**PEARL GLOBAL (HK) LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
	US\$	(Restated) US\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,905,981	630,347
Adjustments for:		
Bank interest income	( 2,160)	( 158)
Interest expenses	380,393	461,470
Depreciation	213,635	193,715
Remeasurement of define benefits plan	17,680	38,172
Gain on disposal of plant and equipment	( 8,096)	( 19,875)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>2,507,433</b>	<b>1,303,671</b>
Decrease in deposits	-	721
(Increase)/Decrease in inventories	( 47,160)	1,162,469
Decrease/(Increase) in deposits and prepayments	966,907	(1,801,824)
(Increase)/Decrease in trade deposit paid	( 170,200)	334,596
Increase in trade and other receivables	(7,791,150)	(4,021,017)
Net receipt from fellow subsidiaries	1,326,300	1,184,883
Net (payments to)/receipt from ultimate holding company	(3,206,900)	713,429
Net payments to a director	-	( 1,226)
Increase in trade and other payables	2,504,264	176,679
Net (payments to)/receipts from a related company	( 50,000)	50,000
<b>NET CASH USED IN OPERATIONS</b>	<b>(3,960,506)</b>	<b>( 897,619)</b>
Bank interest received	2,160	158
Interest paid	( 380,393)	( 461,470)
Income tax paid	( 211,288)	( 171,185)
Net cash used in operating activities	(4,550,027)	(1,530,116)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of plant and equipment	8,096	23,764
Payment to acquire property, plant and equipment	( 576,568)	( 585,412)
Proceeds from disposal of partial interests of a subsidiary	193,050	450,450
Increase in employee benefits obligation	51,002	24,344
Net cash used in investing activities	( 324,420)	( 86,854)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net receipts from secured bank borrowings	3,297,420	300,112
Capital injection/Issuance of share capital	3,280,000	1,600,000
Dividend paid to non-controlling interests shareholders	( 626)	-
Net cash generated from financing activities	6,576,794	1,900,112
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,702,347</b>	<b>283,142</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>773,599</b>	<b>490,457</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>2,475,946</b>	<b>773,599</b>

THE NOTES ON PAGES 10 TO 35 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

## PEARL GLOBAL (HK) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. GENERAL

Pearl Global (HK) Limited is a company incorporated in Hong Kong with limited liability. The principal activities of the Company are investment holding and garment trading. 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, a company incorporated in India. The shares of the ultimate holding company is 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 consolidated 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 consolidated 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 Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note (5) to the consolidated financial statements.

In 2016, the Group adopted the new and revised HKFRSs below, which are relevant to its operations.

• Amendments to HKAS19	Defined Benefit Plans: Employee Contributions
• Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
• Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle
• Amendments to HKAS 1	Disclosure Initiative
• Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
• Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
• Amendments to HKAS 27	Equity Method in Separate Financial Statements

## PEARL GLOBAL (HK) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### a. Basis of Preparation (Cont'd)

- Amendments to HKFRS 10, HKFRS 12 and HKAS 28 Investment Entities: Applying the Consolidation Exception
- Amendments to HKFRS 11 Accounting for Acquisitions of Interests in Joint Operations
- Amendments to HKFRSs Annual Improvements to HKFRSs 2012-2014 Cycle

The adoption of the above HKFRSs has had no material impact on the principal accounting policies of the Group and the methods of computation in the Group's consolidated financial statements. As such, no 2015 comparatives have been amended as a result from adopting the captioned HKFRSs.

##### b. Impact of issued but not yet effective HKFRSs

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

- HKFRS 9 Financial Instruments <sup>(1)</sup>
- HKFRS 15 Revenue from Contracts with Customers <sup>(1)</sup>
- Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(2)</sup>

Notes:

<sup>(1)</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

<sup>(2)</sup> Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that all of the above new and revised standards, amendments or interpretations will be adopted in the Group's consolidated financial statements for the period commencing April 1, 2016 and that the adoption of those new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements of the Group.

## PEARL GLOBAL (HK) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### c. Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to March 31. Subsidiary is an entity over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiary is consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balance and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiary have been changes where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the Consolidated Statement of Financial Position within equity, separately from equity attributable to the shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the Consolidated Statement of Comprehensive Income as an allocation of the total profit or loss and total comprehensive income for the year between non controlling interests and the shareholders of the Company.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of the controlling and non-controlling interests within consolidated equity to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received recognised directly in equity and attributed to the owners of the Company.

In the Company's Statements of Financial Position the investments in subsidiary is stated at cost less allowance for impairment losses. The results of subsidiary is accounted for by the Company on the basis of dividends received and receivable.

## PEARL GLOBAL (HK) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### d. Property, Plant and Equipment

Property, plant and equipment except land, are stated at cost less aggregate depreciation and aggregate 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.

Infrastructures	5 years
Leasehold improvement	3 years
Machineries	5 years
Furniture and fixtures	3 - 5 years
Motor vehicles	5 years
Tools and equipment	3 - 5 years
Computer equipment	3 years

Land is stated at cost and not depreciated. Land titles represent building usage rights of Taman Pasadenia Apartment at Jakarta ("Hak Milik atas Satuan Rumah Susun") for a maximum period of 20 years and could be extended.

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 Consolidated Statement of Comprehensive Income.

When assets are sold or otherwise disposed of, their carrying amounts are written off from the consolidated financial statements and any resulting gain or loss is included in the Consolidated Statement of 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 (HK) LIMITED

### NOTES TO THE CONSOLIDATED 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 Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

##### g. Financial Assets

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

The Group's financial liabilities include trade and other payables, and amounts due to a related company, fellow subsidiaries, ultimate holding company, a director and secured bank borrowings, 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 Group after deducting all of its liabilities. The Group's equity instrument represents its issued share capital and is recorded at the share subscription received/receivable at the date of issuance of shares.

##### k. Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method.



## PEARL GLOBAL (HK) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### l. 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.

##### m. Translation of Foreign Currency

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

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United States Dollars ("US\$"), which is the Group'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 Consolidated Statement of Comprehensive Income.

##### n. 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 Consolidated Statement of 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 consolidated 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 Consolidated Statement of Comprehensive Income.

## PEARL GLOBAL (HK) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

o. Turnover

Turnover represents invoiced amount of sales less discounts and returns.

p. Recognition of Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group 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 from bank deposit is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Commission income is recognised when the services are rendered.
- Other income is recognised on a receipt basis.

q. 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.

r. Bank Borrowings

Interest bearing bank loans and overdrafts 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 Group's policy for borrowing cost as stated in the preceding note.

s. Employee Benefits Obligation

The Group determines its post-employment benefits obligation under the Labor Law of the Republic of Indonesia No. 13/2003. The cost of providing post-employment benefits is determined using "Projected Unit Credit" method. Actuarial gains or losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting year exceeded the higher of 10% of the defined benefit obligation and 10% of the fair value of plan assets at that date. These gains or losses are recognised on a straight-line basis method over the expected average remaining working lives of the employees. Past service cost arising from the introduction of a defined benefit plan or changes in the benefits obligation of an existing plan are required to be amortized over the period until the benefits concerned become vested.

## PEARL GLOBAL (HK) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### t. Retirement Benefit Scheme

The Group participates in Mandatory Provident Fund Scheme ("MPF Scheme") for its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Pursuant to the rules of the MPF Scheme, each of the employer and employees are required to make contributions to the scheme at rates specified in the rules.

The MPF Scheme is a defined contribution plan and the Group is only obliged to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit cost arising from the MPF Scheme charged to the Consolidated Statement of Comprehensive Income represent contribution payable to the funds by the Group in accordance with the rules of the MPF Scheme.

##### u. Related Parties

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

(A) A person or a close member of that person's family is related to the Group if 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 a parent of the Group.

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

- (i) The entity and the Group 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 Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also 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).

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 (HK) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

##### v. Financial Risks

The financial risks in connection with the Group'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 Group to incur a financial loss.
- (iii) Liquidity risk (also referred to as funding risk): the risk that the Group 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 Group's objectives when managing capital are:

- (i) To safeguard the Group'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 Group's stability and growth; and
- (iii) To provide capital for the purpose of strengthening the Group's risk management capability.

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.

## PEARL GLOBAL (HK) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 4. FINANCIAL RISK MANAGEMENT

##### (i) Financial instruments by category

The financial assets of the Group comprise trade and other receivable, deposits, amounts due from fellow subsidiaries, and cash and cash equivalents which are categorized as loans and receivables. The carrying amounts of these financial assets are the amounts shown on the Consolidated and Company Statements of Financial Position or in the corresponding notes to the consolidated financial statements. The financial liabilities of the Group comprise trade and other payables, and amounts due to ultimate holding company, fellow subsidiaries, a related company, a director, and secured bank borrowings which are categorized as financial liabilities at amortised cost. The carrying amounts of these financial liabilities are the amounts shown on the Consolidated Statement of Financial Position or in the corresponding notes to the consolidated financial statements.

##### (ii) Financial risk management

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

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk and interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

- Foreign exchange risk: the Group exposed to foreign exchange risk from various currency exposures primarily Indonesian Rupiah. The Group has some forward deals with bank to hedge its exposure to foreign currency risk in connection with the recording currency.
- Credit risk: the Group 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 Group has policies that limit the amount of credit exposure to any customers.
- Interest rate risk: the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has no significant interest-bearing assets.

**PEARL GLOBAL (HK) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**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.

(a) Estimate of fair values of current assets and liabilities

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

(b) Employee benefits

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality bonds that are denominated in the currency in which the benefits will be paid (Rupiah currency), and that have maturity approximating the terms of the related post employment benefit liability.

(c) Income taxes

The Group is subject to income tax in Hong Kong and Indonesian tax jurisdictions. Significant judgment is required in determining local provision for income tax, among other, non deductible expenses. The Group recognises provision for income tax based on self assessment. Where the final tax outcome as a result of tax audit is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Prepaid taxes are impaired as the carrying amounts may not be recoverable.

<b>6. <u>REVENUE, OTHER INCOME AND GAINS</u></b>	<u>2016</u>	<u>2015</u>
	US\$	US\$
Revenue recognised during the year including revenue arising from:		
Turnover:		
Export sales	67,762,700	44,907,697
	-----	-----
Other income and gains, net:		
Bank interest income	2,160	158
Claim and recovery	313,921	1,619
Sampling income	220,464	580,819
Sundry income	50,000	-
Exchange differences, net	-	69,970
	-----	-----
	586,545	652,566
	-----	-----
Total revenue recognised	68,349,245	45,560,263
	=====	=====

**PEARL GLOBAL (HK) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

7. <u>FINANCE COSTS</u>	<u>2016</u>	<u>2015</u>
	US\$	US\$
Bank finance charges	52,855	27,231
Bank interest and bank charges	81,002	163,639
Other interest paid	<u>246,536</u>	<u>270,600</u>
	<u>380,393</u>	<u>461,470</u>

8. <u>PROFIT BEFORE TAXATION</u>	<u>2016</u>	<u>2015</u>
	US\$	(Restated) US\$
Profit before taxation is stated after charging and (crediting):		
Depreciation	213,635	193,715
Gain on disposal of plant and equipment	( 8,096)	( 19,875)
Staff costs (including directors' remuneration)		
- Salaries and allowance	2,050,841	1,930,204
- Employee benefit	70,263	63,591
- Employee welfare	48,743	27,371
- Mandatory provident fund contribution	<u>7,287</u>	<u>6,497</u>

9. DIRECTORS' REMUNERATION, LOANS AND OTHER MATERIAL INTERESTS

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

	<u>2016</u>	<u>2015</u>
	US\$	US\$
Emoluments:		
Acting as directors	-	-
Provision for management services	<u>135,000</u>	<u>123,000</u>
	<u>135,000</u>	<u>123,000</u>

## PEARL GLOBAL (HK) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

During the year, no loans, quasi-loans and credit transactions entered into by the Company for a director of the Group or of its holding company or a controlled body corporate of such a director.

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

During the year, no guarantee or security in connection with loans, quasi-loans and credit transactions entered into by the Group for a director of the Group or of its holding company or a controlled body corporate of such a director.

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

In the opinion of the directors, except for the related party transactions disclosed in Note (23) to the consolidated financial statements, the directors or shadow directors, if any, of the Group had no material interests in those significant transactions, arrangements or contracts in relation to the Group's business entered into by the Group or another company in the same group of companies or subsisted during the year.

#### 10. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the current year. Income tax of subsidiary has been provided at the prevailing rate of the country the subsidiary operates.

	<u>2016</u>	<u>2015</u>
	US\$	(Restated) US\$
Hong Kong profits tax		
- current year	249,598	57,878
- overprovision for previous year	( 2,570)	( 1,572)
Overseas income tax		
- current year	173,600	110,055
Overseas deferred tax	<u>21,164</u>	<u>42,316</u>
Total	<u>441,792</u>	<u>208,677</u>



**PEARL GLOBAL (HK) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

10. TAXATION (CONT'D)

- a. The tax charge for the year can be reconciled to the profit per Consolidated Statement of Comprehensive Income as follows:

	<u>2016</u>	<u>2015</u>
	US\$	(Restated) US\$
Profit before taxation	1,905,981	630,347
Tax at the domestic income tax rate	370,558	152,927
Tax effect of expenses that are not deductible in determining taxable profit	60,427	68,731
Tax effect of income that are not taxable in determining taxable profit	( 41,084)	( 64,860)
Net tax allowance claimed	9,828	11,135
Withholding income tax of dividends received from subsidiary	23,469	-
Overprovision for previous year	( 2,570)	( 1,572)
Current year deferred tax	<u>21,164</u>	<u>42,316</u>
Taxation expense for the year	<u>441,792</u>	<u>208,677</u>

- b. The following is the analysis of deferred tax balance presented on the consolidated statement of financial position.

	<u>2016</u>	<u>2015</u>
	US\$	(Restated) US\$
Subsidiary:		
Deferred tax assets	<u>110,899</u>	<u>136,744</u>

11. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Included in the profit of US\$1,342,920 (2015: profit of US\$391,408) attributable to shareholders of the Group is a profit of US\$1,418,280 (2015: profit of US\$5,122) which is dealt with in the Company's own accounts.

**PEARL GLOBAL (HK) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**12. PROPERTY, PLANT AND EQUIPMENT**

	Land	Infrastructures	Leasehold Improvement	Machineries	Furniture and Fixtures	Motor Vehicles	Tools and Equipment	Computer Equipment	Construction in progress	Total
Cost	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At 1/4/2014	182,932	283,340	53,471	2,076,806	164,232	363,881	414,650	3,514	-	3,542,826
Additions	-	-	-	92,295	-	13,926	41,280	3,036	434,875	585,412
Disposals	-	-	-	(8,400)	-	(91,361)	-	-	-	(99,761)
At 31/3/2015 and 1/4/2015	182,932	283,340	53,471	2,160,701	164,232	286,446	455,930	6,550	434,875	4,028,477
Additions	-	-	-	91,255	-	143,137	13,197	1,016	327,963	576,568
Disposal	-	-	-	(12,000)	-	(71,003)	-	-	-	(83,003)
At 31/3/2016	182,932	283,340	53,471	2,239,956	164,232	358,580	469,127	7,566	762,838	4,522,042
<u>Aggregate Depreciation</u>										
At 1/4/2014	-	278,234	1,514	1,871,954	155,476	215,043	335,207	646	-	2,858,074
Charge for the year	-	2,345	17,824	91,070	3,828	39,361	37,906	1,381	-	193,715
Written back on disposal	-	-	-	(8,400)	-	(87,472)	-	-	-	(95,872)
At 31/3/2015 and 1/4/2015	-	280,579	19,338	1,954,624	159,304	166,932	373,113	2,027	-	2,955,917
Charge for the year	-	1,527	17,824	90,291	2,921	64,241	34,623	2,208	-	213,635
Written back on disposal	-	-	-	(12,000)	-	(71,003)	-	-	-	(83,003)
At 31/3/2016	-	282,106	37,162	2,032,915	162,225	160,170	407,736	4,235	-	3,086,549

**PEARL GLOBAL (HK) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	Land	Infrastructures	Leasehold Improvement	Machineries	Furniture and Fixtures	Motor Vehicles	Tools and Equipment	Computer Equipment	Construction in progress	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Net Book Value										
At 31/3/2016	182,932	1,234	16,309	207,041	2,007	198,410	61,391	3,331	762,838	1,435,493
At 31/3/2015	182,932	2,761	34,133	206,077	4,928	119,514	82,817	4,523	434,875	1,072,560

Depreciation expenses of US\$90,292 (2015: US\$91,070) has been charged to consolidated statement of comprehensive income within cost of goods sold and US\$123,343 (2015: US\$102,645) has been charged to consolidated statement of comprehensive income within depreciation expenses.

As of March 31, 2016 and 2015, machineries and equipments are used as collateral for bank loan facilities amounting to US\$1,500,000 as disclosed in Note (18) and (28) to the consolidated financial statements.

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**PEARL GLOBAL (HK) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

13. <u>INVENTORIES</u>	<u>2016</u>	<u>2015</u>
	US\$	US\$
Work in progress	785,652	738,492
	<u>          </u>	<u>          </u>

As of March 31, 2016 and 2015, inventories are used as collateral for bank loan facilities amounting to US\$2,000,000 as disclosed in Note (18) and (28) to the consolidated financial statements.

14. <u>TRADE AND OTHER RECEIVABLES</u>	<u>2016</u>	<u>2015</u>
	US\$	US\$
Trade receivables (Note (i))	14,807,956	6,958,161
Other receivables	322,275	32,247
Bills receivables	<u>          </u>	<u>348,673</u>
	<u>15,130,231</u>	<u>7,339,081</u>

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

Neither past due nor impaired	9,645,270	6,721,197
Past due but not impaired	<u>5,162,686</u>	<u>236,964</u>
	<u>14,807,956</u>	<u>6,958,161</u>

As of March 31, 2016 and 2015, trade receivables are used as collateral for bank loan facilities amounting to US\$2,000,000 as disclosed in Note (18) and (28) to the consolidated financial statements.

15. AMOUNTS DUE FROM FELLOW SUBSIDIARIES

The amounts due from fellow subsidiaries 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 fellow subsidiaries. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

16. AMOUNTS DUE TO A FELLOW SUBSIDIARY/ULTIMATE HOLDING COMPANY/A RELATED COMPANY

Apart from a balance with ultimate holding company amounting to US\$2,010,000 (2015: US\$4,510,000) which is interest-bearing at a rate of 6% per annum, the remaining amounts are interest-free. The amounts due are unsecured and have no fixed terms of repayment. The fellow subsidiary, ultimate holding company and a related company had agreed not to demand repayment until the Group is financially capable of repayment. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.

**PEARL GLOBAL (HK) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

<b>17. <u>TRADE AND OTHER PAYABLES</u></b>	<u>2016</u>	<u>2015</u>
	US\$	US\$
Trade payables (Note (i))	2,901,741	636,045
Other payables	40,837	19,878
Accruals	<u>769,145</u>	<u>551,536</u>
	<u>3,711,723</u>	<u>1,207,459</u>

(i) Maturity of the trade payables is as follows:

Due for payment:		
Not later than one year	<u>2,901,741</u>	<u>636,045</u>

**18. SECURED BANK BORROWINGS**

The carrying amount of the secured bank borrowings at the end of reporting period is analyzed as follows:

	<u>2016</u>	<u>2015</u>
	US\$	US\$
Amount repayable within one year:		
Discounted bills loan	5,179,101	681,581
Export loan	<u>-</u>	<u>1,200,100</u>
	<u>5,179,101</u>	<u>1,881,681</u>

The bank loan facilities are secured by the Group's machineries and equipment, inventories, trade receivables together with director's personal guarantee.

<b>19. <u>EMPLOYEE BENEFITS OBLIGATION</u></b>	<u>2016</u>	<u>2015</u>
	US\$	(Restated) US\$
Balance brought forward	159,456	96,939
Charged to Consolidated Statement of Comprehensive Income	70,263	63,591
Payment during the year	<u>(19,261)</u>	<u>(1,074)</u>
Balance carried forward	<u>210,458</u>	<u>159,456</u>

**PEARL GLOBAL (HK) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

20. SHARE CAPITAL

	<u>2016</u>		<u>2015</u>	
	<u>No. of shares</u>	<u>Amount</u>	<u>No. of shares</u>	<u>Amount</u>
		US\$		US\$
Issued and fully paid:				
Ordinary shares of US\$1 each				
At March 31	1,610,000	4,890,000	1,610,000	1,610,000
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

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.

On December 11, 2015, the Company's issued share capital was increased by the ultimate holding company's capital injection of US\$3,280,000 in cash, making a total issued share capital of US\$4,890,000.

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**PEARL GLOBAL (HK) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

21. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<u>NOTES</u>	<u>2016</u>	<u>2015</u>
		US\$	US\$
<b>Non-Current Assets</b>			
Plant and equipment		24,633	49,666
Investment in subsidiaries	(21a)	1,070,775	1,505,121
		1,095,408	1,554,787
<b>Current Assets</b>			
Deposit and prepayments		1,645,882	2,653,508
Trade and other receivables		12,792,217	3,346,563
Amounts due from fellow subsidiaries		-	36,458
Bank and cash balances		1,647,890	559,548
		16,085,989	6,596,077
<b>Current Liabilities</b>			
Amounts due to a related company		-	50,000
Amount due to a fellow subsidiary		1,961,435	678,442
Amount due to a subsidiary	(21b)	-	433,323
Amount due to ultimate holding company		2,915,638	6,120,872
Trade and other payables		2,608,437	84,795
Provision for taxation		190,646	21,569
Secured bank borrowings		5,179,101	1,134,003
		12,855,257	8,523,004
<b>Net Current Assets/(Liabilities)</b>		<u>3,230,732</u>	<u>(1,926,927)</u>
<b>NET ASSETS/(LIABILITIES)</b>		<u>4,326,140</u>	<u>( 372,140)</u>
<b>EQUITY</b>			
Share capital		4,890,000	1,610,000
Accumulated losses		( 563,860)	(1,982,140)
<b>TOTAL EQUITY</b>		<u>4,326,140</u>	<u>( 372,140)</u>

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

AND SIGNED ON

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

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

**PEARL GLOBAL (HK) LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

21. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONT'D)

(a) Particulars of principal subsidiaries:

<u>Name of subsidiaries</u>	<u>Place of incorporation</u>	<u>Percentage of Equity attributable to the Company</u>				<u>Principal activity</u>
		<u>2016</u>		<u>2015</u>		
		<u>Directly</u>	<u>Indirectly</u>	<u>Directly</u>	<u>Indirectly</u>	
PT Pinnacle Apparels *	Indonesia	-	69.91%	-	78.89%	Engaged in garment and textiles industry
DSSP Global Limited	Hong Kong	100%	-	100%	-	Investment holding

\* Not audited by Louis Lai & Luk CPA Limited

(b) The amount due to a subsidiary is unsecured, interest-free and has no fixed terms of repayments. The nature of consideration to be provided for settlement is expected to be cash or cash equivalents.



**PEARL GLOBAL (HK) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**22. MOVEMENT IN THE RESERVES OF THE COMPANY**

	<u>Accumulated Losses</u>
	US\$
Balance at April 1, 2014	(1,987,262)
Total comprehensive income for the year	<u>5,122</u>
Balance at March 31, 2015	(1,982,140)
Total comprehensive income for the year	<u>1,418,280</u>
Balance at March 31, 2016	<u>( 563,860)</u>

**23. RELATED PARTY TRANSACTIONS**

During normal course of business, the Group had the following transactions with the related parties below.

<u>Name of Company</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>2016</u>	<u>2015</u>
			US\$	US\$
Multinational Textile Group Ltd.	Related company <sup>(1)</sup>	- Amount due to	-	( 50,000)
		- Sampling income	50,000	250,000
Norp Knit Industries Ltd.	Fellow subsidiary	- Amount due to	( 1,968,284)	( 678,442)
		- Sampling income	369,646	158,587
		- Purchases	21,982,123	16,158,580
		- Sampling expenses	1,395,843	768,783
Pearl Global Fareast Ltd.	Fellow subsidiary	- Amount due from	-	36,458
		- Sundry income	-	36,458
Pearl Global Industries Ltd., India	Ultimate holding company	- Interest paid	246,536	270,600
		- Amount due to	( 2,913,972)	( 6,120,872)
		- Purchases	1,650,859	1,975,100
		- Sampling income	154,954	99,309
		- Sampling expenses	614,304	50,118

<sup>(1)</sup> Connected with Deepak Kumar SETH, who is the director of the captioned company.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. CONTINGENT LIABILITIES

The Group had the following contingent liabilities not provided for in the consolidated financial statements at the end of reporting period:

	<u>2016</u>	<u>2015</u>
	US\$	US\$
Irrevocable letters of credit	4,069,038	4,007,958

25. OPERATING LEASE COMMITMENTS

At the end of reporting period, the Group had the outstanding commitments under its non-cancellable operating leases, which fall due as follows:

	<u>2016</u>	<u>2015</u>
	US\$	US\$
Within one year	362,981	243,896
In the second to fifth years inclusive	531,830	517,958
	<u>894,811</u>	<u>761,854</u>

Operating lease payments represent rental payments payable by the Group for its leased premises. Leases are negotiated for an averaged term three to five years.

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**PEARL GLOBAL (HK) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

26. CURRENCY RISK

(i) Exposure to currency risk

The following table details the Group'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 Group 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\$)					
	2016					
	HK\$	IDR	EUR	GBP	SGD	Total
Deposit	-	8,856	-	-	-	8,856
Deposit and prepayment	35,990	334,097	-	-	-	370,087
Trade and other receivables	69,417	44,888	-	-	-	114,305
Bank and cash balances	52,340	179,611	-	210	16	232,177
Trade and other payables	( 5,270)	-	-	-	-	( 5,270)
Provision for taxation	(191,721)	( 74,069)	-	-	-	(265,790)
Net exposure arising from recognised assets and liabilities	( 39,244)	493,383	-	210	16	454,365
	=====	=====	=====	=====	=====	=====
	(Expressed in US\$)					
	2015					
	HK\$	IDR	EUR	GBP	SGD	Total
Deposit	-	8,856	-	-	-	8,856
Deposit and prepayment	25,972	183,493	-	-	-	209,465
Trade deposit paid	-	55,641	-	-	-	55,641
Trade and other receivables	-	27,890	107,377	694,277	-	829,544
Bank and cash balances	48,081	78,373	-	156	16	126,626
Trade and other payables	( 4,627)	(676,342)	( 681)	-	-	(681,650)
Provision for taxation	(21,569)	( 34,881)	-	-	-	( 56,450)
Net exposure arising from recognised assets and liabilities	47,857	(356,970)	106,696	694,433	16	492,032
	=====	=====	=====	=====	=====	=====

**PEARL GLOBAL (HK) LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

26. CURRENCY RISK (CONT'D)

(ii) Sensitivity analysis

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

	<u>2016</u>		<u>2015</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	US\$	US\$	US\$	US\$
Euro (EUR)	-	-	8,909	( 8,909)
British Pound (GBP)	21	( 21)	57,985	(57,985)
Indonesian Rupiah (IDR)	49,338	(49,338)	(29,807)	29,807
Singapore Dollar (SGD)	<u>2</u>	<u>( 2)</u>	<u>1</u>	<u>( 1)</u>
	49,361	(49,361)	37,088	(37,088)
	=====	=====	=====	=====

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 Group'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 Group'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 2015.

27. INTEREST RATE RISK

	<u>2016</u>	<u>2015</u>
Financial liabilities bearing variable interests:	US\$	US\$
Discounted bills loan	5,179,101	681,581
Export loan	<u>-</u>	<u>1,200,100</u>
	5,179,101	1,881,681
	=====	=====

Should market interest rate on March 31 increase by 10%, the profit or loss for the year would be reduced by a net amount of US\$27,349 (2014: US\$46,147). The carrying amounts of financial assets and financial liabilities measured at amortised cost and the carrying amount of financial liabilities bearing variable interest measure at fair value would not be affected by the assumed 10% increase in interest rates.

## PEARL GLOBAL (HK) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. BANKING FACILITIES

General banking facilities granted by the banks were secured by bank accounts, machineries and equipment, inventories, trade receivables, ultimate holding company's and fellow subsidiaries' corporate guarantee and directors' personal guarantee.

29. COMPARATIVE FIGURES

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

30. PRIOR YEAR ADJUSTMENT

The subsidiary of the Group changed its measurement with respect to defined benefit plans and this measurement has been applied retrospectively. For re-statement of comparative disclosures, opening retained profits and non-controlling interests at April 1, 2014 has been increased by US\$24,015 and US\$32 respectively, carrying amount of deferred tax assets and employee benefits obligation at April 1, 2014 have been decreased by US\$8,374 and US\$32,422 respectively, which is the accumulated effect of the change in assumption on the results for the periods prior to April 1, 2014. Employee benefit and other comprehensive income for the year ended March 31, 2015 have been increased by US\$40,479 and US\$28,629 respectively, other operating expenses and taxation for the year ended March 31, 2015 have been decreased by US\$1 and US\$10,388 respectively, as such, certain 2015 comparatives have been amended as a result from change in measurement.

31. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

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

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