

PEARL GLOBAL (HK) LIMITED

REPORTS

AND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2021

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

PEARL GLOBAL (HK) LIMITED

CONTENTS	PAGES
REPORT OF THE DIRECTORS	1 - 3
INDEPENDENT AUDITOR'S REPORT	4 - 7
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	8
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	9 - 10
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	11
CONSOLIDATED STATEMENT OF CASH FLOWS	12 - 13
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	14 - 62

PEARL GLOBAL (HK) LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the annual audited consolidated financial statements of the Group for the year ended March 31, 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and garment trading. The principal activities of subsidiaries are set out in Note (28a) to the consolidated financial statements.

FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Company and its subsidiaries (the "Group") for the year ended March 31, 2021 and the financial position of the Group are set out in the consolidated financial statements on page 8 to 10.

The directors do not recommend the payment of any dividend for the year.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment are set out in Note (10) to the consolidated financial statements.

SHARE CAPITAL

Details and movement of share capital of the Company are set out in Note (27) to the consolidated financial statements.

DIRECTORS

(a) Directors of the Company

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

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

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
REPORT OF THE DIRECTORS (CONT'D)

DIRECTORS (CONT'D)

(b) Directors of the Company's subsidiaries

Deepak Kumar SETH

Pulkit SETH

Shefali SETH

Sumit LATH

Gurnsankar GURUMOORTHY

Sweta AGARWAL

(Resigned on July 15, 2020)

MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Except for the related party transactions as disclosed in Note (31) to the consolidated financial statements, no transactions, arrangements or contracts of significance to which the Company's ultimate holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company or an entity connected with a director had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the directors of the Company was in force during the year and up to date of this report.

BUSINESS REVIEW

No business review is presented as the Company has been able to claim an exemption under section 388(3) of the Hong Kong Companies Ordinance (Cap. 622) since the Company is a wholly owned subsidiary of another body corporate as at the end of reporting period.


PEARL GLOBAL (HK) LIMITED

REPORT OF THE DIRECTORS (CONT'D)

AUDITORS

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

On behalf of the Board



Deepak Kumar SETH
Chairman

Hong Kong, June 3, 2021.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS

黎劍民、陸永熙會計師事務所有限公司

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)**

Opinion

We have audited the consolidated financial statements of Pearl Global (HK) Limited and its subsidiaries ("the Group") set out on pages 8 to 62, which comprise the consolidated statement of financial position as at March 31, 2021 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

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

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS
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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)

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

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

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

The directors are responsible for the preparation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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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)**

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

LOUIS LAI & LUK CPA LIMITED CERTIFIED PUBLIC ACCOUNTANTS

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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)**

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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, June 3, 2021.

PEARL GLOBAL (HK) LIMITED

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

FOR THE YEAR ENDED MARCH 31, 2021

	<u>NOTES</u>	<u>2021</u>	<u>2020</u> (Restated)
		US\$	US\$
REVENUE	(5)	104,559,596	124,158,387
COST OF SALES		<u>(91,623,951)</u>	<u>(108,377,053)</u>
GROSS PROFIT		12,935,645	15,781,334
OTHER INCOME	(5)	725,419	1,629,160
GAIN ON DISPOSAL OF PLANT AND EQUIPMENT		2,000	18,251
IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL		(78,066)	-
STAFF COSTS		(3,821,704)	(5,402,750)
DEPRECIATION		(525,800)	(694,967)
OTHER OPERATING EXPENSES		<u>(6,845,849)</u>	<u>(10,062,965)</u>
PROFIT FROM OPERATION		2,391,645	1,268,063
FINANCE COSTS	(6)	<u>(834,642)</u>	<u>(703,018)</u>
PROFIT BEFORE TAXATION	(7)	1,557,003	565,045
TAXATION	(9)	<u>(67,861)</u>	<u>(94,535)</u>
PROFIT FOR THE YEAR		1,489,142	470,510
OTHER COMPREHENSIVE INCOME		<u>18,450</u>	<u>56,182</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>1,507,592</u>	<u>526,692</u>
PROFIT ATTRIBUTABLE TO:			
Equity holders of the Company		1,458,729	446,026
Non-controlling interests		<u>30,413</u>	<u>24,484</u>
		<u>1,489,142</u>	<u>470,510</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Company		1,490,013	474,331
Non-controlling interests		<u>17,579</u>	<u>52,361</u>
		<u>1,507,592</u>	<u>526,692</u>

THE NOTES ON PAGES 14 TO 61 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2021

	<u>NOTES</u>	<u>2021</u>	<u>2020</u> (Restated)
		US\$	US\$
Non-Current Assets			
Property, plant and equipment	(10)	13,556,775	12,285,164
Financial assets at fair value through other comprehensive income	(11)	2,838,072	4,026,826
Loans receivable	(12)	2,936,371	3,233,359
Deposits		69,766	184,934
Right-of-use assets	(13)	373,547	147,207
Deferred tax assets	(9(b))	104,031	116,203
Goodwill	(14)	1,932,750	1,932,750
		21,811,312	21,926,443
Current Assets			
Inventories	(15)	5,826,108	6,052,561
Deposits and prepayment		487,785	1,204,802
Trade deposit paid		1,746,844	2,263,177
Trade and other receivables	(16)	17,639,177	25,146,738
Cash and cash equivalents	(17)	4,535,197	6,107,550
		30,235,111	40,774,828
Current Liabilities			
Amount due to ultimate holding company	(18)	1,917,422	2,465,463
Amounts due to fellow subsidiaries	(18)	9,505,147	16,924,951
Loan from a former director of a subsidiary	(24)	-	30,000
Trade and other payables	(19)	8,176,929	5,588,381
Lease liabilities	(20)	113,299	94,457
Provision for taxation		27,478	37,912
Obligations under finance lease	(21)	-	4,009
Secured bank borrowings	(22)	12,253,420	18,955,157
Bank overdrafts		1,584,266	1,633,117
		33,577,961	45,733,447
Net Current Liabilities		(3,342,850)	(4,958,619)
Total Assets Less Current Liabilities		18,468,462	16,967,824

THE NOTES ON PAGES 14 TO 61 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.


PEARL GLOBAL (HK) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)

AS AT MARCH 31, 2021

	<u>NOTES</u>	<u>2021</u>	<u>2020</u>
		US\$	US\$
Non-Current Liabilities			
Share application money	(23)	1	1,327,748
Loan from a non-controlling interest	(25)	80,000	80,000
Employee benefits obligations	(26)	597,398	586,104
Lease liabilities	(20)	2,808	31,157
Obligations under finance lease	(21)	-	3,039
		680,207	2,028,048
NET ASSETS		17,788,255	14,939,776
EQUITY			
Share capital	(27)	9,060,000	9,060,000
Revaluation surplus		536,738	310,474
Translation reserve		2,861	17,651
Other reserve		(162,853)	(162,853)
Retained earnings		5,151,114	3,830,833
Total equity attributable to equity holders of the Company		14,587,860	13,056,105
Non-controlling interests		3,200,395	1,883,671
TOTAL EQUITY		17,788,255	14,939,776

APPROVED BY THE BOARD OF DIRECTORS ON JUNE 3, 2021 AND SIGNED ON BEHALF OF THE BOARD BY:



Deepak Kumar SETH
Director



Pulkit SETH
Director

THE NOTES ON PAGES 14 TO 61 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, 2021

	Attributable to owner of the Company						Total
	Share capital	Revaluation surplus	Translation reserve	Other reserve	Retained earnings	Non-controlling interests	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
At April 1, 2019	9,060,000	239,703	82	(161,863)	3,320,051	1,830,320	14,288,293
Profit for the year as previously reported	-	-	-	-	675,774	24,484	700,258
Prior year adjustment	-	-	-	-	(229,747)	-	(229,747)
Profit for the year, as restated	-	-	-	-	446,027	24,484	470,511
Other comprehensive income/(loss) for the year, as previously reported	-	(54,020)	17,569	-	64,756	27,877	56,182
Prior year adjustment	-	124,791	-	-	-	-	124,791
Other comprehensive income/(loss) for the year, as restated	-	70,771	17,569	-	64,756	27,877	180,973
Disposal of non-controlling interests	-	-	-	(990)	-	990	-
At March 31, 2020, as restated	9,060,000	310,474	17,651	(162,853)	3,830,834	1,883,671	14,939,777
Profit for the year	-	-	-	-	1,458,729	30,413	1,489,142
Other comprehensive income/(loss) for the year	-	75,888	(14,790)	-	(29,814)	(12,834)	18,450
Allotment of preference shares by non-controlling interests	-	-	-	-	-	1,299,145	1,299,145
Disposal of subsidiaries	-	150,376	-	-	(108,635)	-	41,741
At March 31, 2021	9,060,000	536,738	2,861	(162,853)	5,151,114	3,200,395	17,788,255

THE NOTES ON PAGES 14 TO 61 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

PEARL GLOBAL (HK) LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
	US\$	(Restated) US\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,557,003	565,045
Adjustment for:		
Bank interest income	(14,643)	(27,119)
Other interest income	(80,024)	(73,526)
Interest income on financial assets at fair value through other comprehensive income	(75,010)	-
Gain on disposal of plant and equipment	(2,000)	(18,251)
Bank interest expenses and factoring financing charges	824,028	694,807
Depreciation of property, plant and equipment	919,254	934,733
Depreciation of right-of-use assets	322,884	271,863
Employee benefits expenses	32,388	66,710
Devaluation on inventories	291,840	32,287
Interest expenses on lease liabilities	10,614	8,211
Impairment loss, net of reversal		
- financial asset and other items under expected credit loss model	78,066	-
Write-off of other payables	<u>(95,205)</u>	<u>-</u>
Operating profit before working capital changes	3,769,195	2,454,760
Decrease in long-term prepayment	-	308,573
Decrease/(Increase) in deposits (non-current)	115,168	(37,136)
Increase in inventories	(65,387)	(2,013,877)
Decrease in deposits and prepayments	649,258	680,878
Decrease/(Increase) in trade deposits paid	516,333	(1,787,886)
Decrease/(Increase) in trade and other receivables	7,436,718	(2,781,305)
Increase in trade and other payables	2,683,753	1,752,505
Net (payments to)/receipts from fellow subsidiaries	(7,419,804)	3,668,093
Net payments to ultimate holding company	<u>(548,041)</u>	<u>(782,962)</u>
Cash generated from operations	7,137,193	1,461,643
Bank interest received	14,643	27,119
Payments for employee benefits obligations	(69,254)	(22,781)
Bank interests and factoring financing charges paid	(824,028)	(694,807)
Profits tax paid	<u>(61,964)</u>	<u>(89,015)</u>
Net cash generated from operating activities	<u>6,196,590</u>	<u>682,159</u>

THE NOTES ON PAGES 14 TO 61 FORM AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

PEARL GLOBAL (HK) LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)
FOR THE YEAR ENDED MARCH 31, 2021

	<u>2021</u>	<u>2020</u>
	US\$	(Restated) US\$
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire financial assets at fair value through other comprehensive income	(500,000)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	-	584,981
Net cash receipts from disposal of subsidiaries	1,881,394	-
Payments to acquire property, plant and equipment	(2,248,062)	(2,967,705)
Proceeds from disposal of property, plant and equipment	25,882	78,759
Receipts from loans receivables	<u>377,012</u>	<u>129,888</u>
Net cash used in investing activities	<u>(463,774)</u>	<u>(2,174,077)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to a former director of a subsidiary	(30,000)	(80,000)
Net proceeds from share application money	-	845,032
Net repayments for secured bank borrowings	(6,701,737)	-
Proceeds from secured bank borrowings	-	59,027,750
Repayment for secured bank borrowings	-	(56,842,228)
Repayments for unsecured bank borrowing	-	(346,460)
Repayment for obligations under finance lease	(7,048)	(19,794)
Capital element of lease rentals paid	(526,655)	(267,605)
Interest element of lease rentals paid	<u>(10,414)</u>	<u>(8,211)</u>
Net cash (used in)/generated from financing activities	<u>(7,275,854)</u>	<u>2,308,484</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,543,038)	816,566
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	4,474,433	3,622,612
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>19,536</u>	<u>35,255</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (NOTE)	<u><u>2,950,931</u></u>	<u><u>4,474,433</u></u>

NOTE:

Cash and cash and equivalents at end of the year comprise the following:

	<u>2021</u>	<u>2020</u>
	US\$	(Restated) US\$
Bank balances and cash in hand	4,535,197	6,107,550
Bank overdrafts	<u>(1,584,266)</u>	<u>(1,633,117)</u>
CASH AND CASH EQUIVALENTS	<u><u>2,950,931</u></u>	<u><u>4,474,433</u></u>

THE NOTES ON PAGES 14 TO 61 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 (the “Company”) 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 Room 1801, 18/F., Kimberland Centre, No. 55 Wing Hong Street, Cheung Sha Wan, Kowloon. 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 are listed on the Bombay Stock Exchange and National Stock Exchange in India.

2. PRINCIPAL ACCOUNTING POLICIES

a. Basis of Preparation

These consolidated 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 (“HKICPA”), 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 Group’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 (4) to the consolidated financial statements.

As at March 31, 2021, the Group’s current liabilities exceeded its current assets by US\$3,342,850. Notwithstanding these conditions, the going concern basis has been adopted because the ultimate holding company has agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

b. Changes in Accounting Policies and Disclosures

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the financial statements:

- (i) Amendments to HKAS 1 and HKAS 8, Definition of Material
- (ii) Amendments to HKFRS 3, Definition of a Business
- (iii) Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group’s consolidated financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

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, 2021. 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 profit or loss and other 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 investment in subsidiaries is stated at cost less allowance for impairment losses. The results of subsidiaries are 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. Goodwill

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at the end of the reporting period.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

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

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

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

e. Property, Plant and Equipment

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

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life, as follows:

Leasehold land	over the lease term
Buildings	over the useful life or lease term, whichever is shorter
Infrastructures	5 - 25 years
Leasehold improvement	3 years
Machineries	5 - 10 years
Furniture and fixtures	3 - 5 years
Motor vehicles	5 - 8 years
Tools and equipment	3 - 5 years
Office equipment	3 - 4 years
Computer equipment	3 years
Computer software	5 years

Land titles 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.

An item of plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Leases

Definition of a lease

Lease is a contract, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Leases (Cont'd)

The Group as lessee (Cont'd)

Right-of-use assets (Cont'd)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amount expected to be payable by the Group under residual value guarantees;
- the exercise price of purchase options, if the Group is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line in the consolidated statement of financial position.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

f. Leases (cont'd)

The Group as lessee (cont'd)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease component.

g. Inventories

Inventories are assets which are held for sale in the ordinary course of business.

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

Net realisable value is based on estimated selling prices less any further costs expected to be incurred. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

h. Impairment of Non-Financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss and other comprehensive income in the period in which it arises, (only if there are revalued assets in the consolidated financial statements) unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

i. Financial Instruments

(i) Financial assets

Financial assets of the Group are classified, at initial recognition, as subsequently measured at amortised cost or fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Financial Instruments

(i) Financial assets (Cont'd)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

Financial assets at fair value through other comprehensive income (debt instruments)
For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Financial Instruments

(i) Financial assets (Cont'd)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss and other comprehensive income. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Financial Instruments (Cont'd)

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss (“ECLs”) on trade receivables and financial assets measured at amortised cost. The ECLs are measured on either of the following bases:

- (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and
- (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets’ original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group’s historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12 months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company’s procedures for recovery of amounts due.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

i. Financial Instruments (Cont'd)

(iii) Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group are loans and borrowings. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss and other comprehensive income .

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

j. Offsetting of financial instruments

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

k. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

l. Provisions and contingent liabilities

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

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

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

m. Revenue Recognition

(i) Revenue from contract with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs;
or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amounts receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. For contracts where the period between the payment and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

m. Revenue Recognition (Cont'd)

(i) Revenue from contract with customers (cont'd)

A contract asset represents the Company's right to consideration in exchange for services that the Company has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Company's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Company's obligation to transfer services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer.

- Sales of goods

Revenue from sales of goods is recognised when the customers have obtained control of the goods, being when the goods are delivered to the respective customers' specific locations and have been accepted by the customers, and the corresponding trade receivable are recognised as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. There is generally only one performance obligation.

- Service income

Service income is recognised when the services are rendered as the criteria of recognizing revenue over time is not met.

(ii) Revenue from other sources

Further details of the Group's other income recognition policies are as follows:

- Interest income from bank deposit is accrued on a time proportion basis on the principal outstanding and at the rate applicable.
- Claims and recovery is recognised when the Group is entitled to the income.
- Other income is recognised on a receipt basis.
- Sampling income is recognised when samples are delivered to buyers.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

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 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 profits 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. No deferred tax asset has been recognised on the unused tax losses due to the infeasibility to predict the availability of future taxable profit for offsetting such deductible timing differences.

Deferred tax, if material, is charged or credited in the statement of profit or loss and other comprehensive income.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognized the right-of use assets and the related leased liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use or the lease liabilities.

For the leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognized at initial recognized and over the lease terms due to application of the initial recognition exemption.

o. Employee Benefits Obligation

Policy for the Group's operation in the Republic of Indonesia

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)

o. Employee Benefits Obligation (Cont'd)

Policy for the Group's operation in the Socialist Republic of Vietnam

The severance allowance for employees is accrued at the end of each reporting period for all employees having worked at the Group for full 12 months and above. Working time serving as the basis for calculating severance allowance shall be the total actual working time subtracting the time when the employees have made unemployment insurance contributions as prescribed by law, and the working time when severance allowance has been paid to the employees. The allowance made for each year of service equals to a half of an average monthly salary under the Vietnamese Labour Code, Social Insurance Code and relevant guiding documents. The average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the 6 consecutive months nearest to the date of the financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the statement of profit or loss or other comprehensive income.

Policy for the Group's operation in the Hong Kong Special Administrative Region of the People's Republic of China

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 profit or loss and other comprehensive income represent contribution payable to the funds by the Group in accordance with the rules of the MPF Scheme.

p. Employment Ordinance Long Service Payments

The Group's employees in Hong Kong who have completed the required number of years of service to the Group are eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

No provision is provided in the financial statements in respect of the probable future long service payments expected to be made on the grounds that the provision for the current and prior year are negligible in comparison to the Group's overall financial position.

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.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

r. 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 profit or loss and other comprehensive income.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the exchange rate adopted by the directors which is closely commensurate with the prevailing year-end exchange rates at the date of that statement of financial position;
- (ii) income and expenses for each income statement are translated at the exchange rate adopted by the directors which is closely commensurate with the prevailing average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, such exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income as part of the gain or loss on sale.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. PRINCIPAL ACCOUNTING POLICIES (CONT'D)

s. 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).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the group's parent.

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 and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependants of that person or that person's spouse or domestic partner.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes in the objectives, policies or processes for managing capital were made during the years ended March 31, 2021 and March 31, 2020.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

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

Revenue from contracts with customers

The Group assesses its revenue arrangements against specific criteria, i.e. whether it has exposure to the significant risks and rewards associated with the sale of goods & rendering of services, in order to determine if it is acting as a principal or as an agent. The Group has concluded that it is operating on a principal to principal basis in all its revenue arrangements.

The Group applies judgement to determine whether each product or service promised to a customer are capable of being distinct, and are distinct in the context of contract, if not the promised services are combined and accounted as a single performance obligation.

For performance obligation where control is transferred over the time, revenues are recognised by measuring progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the promised service to be rendered.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Provision for expected credit loss on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix calculates ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

Depreciation on property, plant and equipment

Depreciation on the Group's property, plant and equipment is calculated using the straight-line method to allocate cost up to residual values over the estimated useful lives of the assets. Management reviews the useful lives and residual values periodically to ensure that the method and rate of depreciation are consistent with the expected pattern of realisation of economic benefits rates of depreciation are consistent with the expected pattern of realization of economic benefits from property, plant and equipment. The accounting estimate of the useful lives of plant and equipment is based on historical experience, taking into account anticipated technological changes.

5. REVENUE, OTHER INCOME AND GAINS

	<u>2021</u>	<u>2020</u> (Restated)
Revenue, other income and gains recognised during the year are as follows:	US\$	US\$
Revenue		
Sales	104,559,596	124,158,387
	-----	-----
Other income		
Bank interest income	14,643	27,119
Other interest income	155,034	119,025
Claim and recovery	474	75
Foreign exchange gains, net	60,202	-
Sundry income	399,861	1,482,941
Write-off of other payables	95,205	-
	-----	-----
	725,419	1,629,160
	-----	-----
	105,285,015	125,787,547
	=====	=====

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. FINANCE COSTS

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Bank loan interests	473,953	642,064
Bank overdraft interests	83,868	52,743
Factoring financing charges	266,207	-
Interest on lease liabilities	<u>10,614</u>	<u>8,211</u>
	<u>834,642</u>	<u>703,018</u>

7. PROFIT BEFORE TAXATION

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Profit before taxation is stated after charging/(crediting):		
Depreciation of property, plant and equipment	919,254	934,733
Depreciation of right-of-use assets	322,884	271,863
Foreign exchange (gains)/losses, net	(60,202)	34,586
Gain on disposal of property, plant and equipment	(2,000)	(18,251)
Devaluation on inventories	291,840	32,287
Impairment loss, net of reversal		
- financial asset and other items		
under expected credit loss model	78,066	-
Rental payment under operating lease #	349,471	583,128
Staff costs (including directors' remuneration)		
- Salaries and allowance *	12,882,804	17,900,088
- MPF contribution	10,307	22,549
- Employee benefit	50,585	78,332
Write-off of other payables	<u>(95,205)</u>	<u>-</u>

Rental payment under operating lease of US\$216,319 (2020:US\$414,640) has been charged to cost of sales in the consolidated statement of profit or loss and other comprehensive income, US\$133,395 (2020:US\$168,488) has been charged to operating expenses in the consolidated statement of profit or loss and other comprehensive income.

* Salaries of US\$9,135,437 (2020: US\$12,598,219) has been charged to cost of sales in the consolidated statement of profit or loss and other comprehensive income, US\$3,747,366 (2020:US\$5,301,869) has been charged to staff costs in the consolidated statement of profit or loss and other comprehensive income.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. DIRECTORS' REMUNERATION

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 follows:

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Emoluments:		
Acting as directors	-	-
Provision of management services	32,000	60,000
Retirement benefits	-	-
	32,000	60,000

Note: The amount is remuneration of a director of a subsidiary and recorded in the account of subsidiary.

9. TAXATION

Hong Kong profits tax has not been provided since the Company has no assessable profit for the year. Income tax of subsidiaries has been provided at the prevailing rate of the countries in which the subsidiaries operates.

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Hong Kong Profits tax:		
Current year	-	-
Overprovision in prior years	-	-
Overseas income tax:		
Current year	51,530	91,170
(Overprovision)/Underprovision in prior years	-	92
Overseas deferred tax	16,331	3,273
	67,861	94,535

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. TAXATION (CONT'D)

- a. The tax charge for the year can be reconciled to the profit per consolidated statement of profit or loss and other comprehensive income as follows:

	<u>2021</u>	<u>2020</u>
	US\$	(Restated) US\$
Profit before taxation	1,555,727	565,045
Tax at the domestic income tax rate	243,082	174,640
Tax effect of expenses that are not deductible	10,666	85,313
Tax effect of income that are not taxable	(51,027)	(9,162)
Tax effect of other temporary difference	21,885	3,103
Tax effect of net tax allowance claimed	(7,478)	(26,977)
Utilisation of tax loss	-	(36,776)
Tax effect of tax loss not recognised	141,818	98,832
Underprovision in prior years	-	92
Deemed income subject to overseas taxation	(307,416)	(197,803)
Current year deferred tax	16,331	3,273
Taxation expense for the year	67,861	94,535

- b. The following is the analysis of deferred tax assets/(liabilities) presented on the consolidated statement of financial position.

	<u>2021</u>	<u>2020</u>
	US\$	(Restated) US\$
Subsidiary:		
Balance as at April 1	116,203	150,354
Amount charged/(credited) to operating expenses	3,273	(3,273)
Amount charged/(credited) to other comprehensive income	10,297	(30,878)
Amount credited to operating expenses due to change of local tax rate applicable to a subsidiary	(19,603)	-
Amount credited to other comprehensive income due to change of local tax rate applicable to a subsidiary	(6,139)	-
Balance as at March 31	104,031	116,203

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Land		Land Titles		Land Use Right		Building		Leasehold Building		Infrastructures		Leasehold Improvement		Machineries		Furniture and Fixtures		Motor Vehicles		Tools and Equipment		Office Equipment		Computer Equipment		Computer Software		Construction in Progress		Total		
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$			
At 1/4/2019	3,897,442	182,932	54,113	2,041,938	-	1,626,758	98,458	5,259,427	259,036	524,347	624,828	132,386	27,193	10,265	814,440	15,553,563																	
Transfer to right-of-use assets upon initial adoption of HKFRS 16	-	-	(54,113)	-	-	96,647	79,883	285,713	100,579	59,407	5,470	25,031	514	14,097	2,410,954	(54,113)															(54,113)		
Additions	-	-	-	-	-	-	-	(165,553)	-	(61,581)	-	(3,759)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(56,188)	3,078,295	3,078,295				
Disposal	(72,570)	-	-	(38,020)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(287,081)	(287,081)			
Write-off	-	-	-	-	-	18,729	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(28,127)	(110,590)	(110,590)				
Transfer in/(out)	-	-	-	-	-	(12,041)	-	(17,170)	-	(1,185)	-	(1,484)	232	(367)	(2,234)	(34,248)																	
Exchange realignment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
At 31/3/2020	3,824,872	182,932	-	2,003,918	-	1,730,093	178,341	5,362,417	359,615	520,988	630,298	152,174	27,939	33,393	3,138,845	18,145,826																	
Additions	-	-	-	-	-	17,476	-	25,364	9,581	-	1,965	33,228	-	6,946	2,153,502	2,248,062																	
Disposal	-	-	-	-	-	-	-	(394,033)	-	(33,666)	(1,268)	-	-	-	-	(428,967)																	
Exchange realignment	-	-	-	-	-	-	-	24,093	-	1,564	-	2,273	(21)	493	(52,781)	(7,669)																	
At 31/3/2021	3,824,872	182,932	-	2,003,918	16,710	1,747,569	178,341	5,017,841	369,196	488,886	630,995	187,675	27,918	40,832	5,239,566	19,957,252																	

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold Land	Land Titles	Land Use Right	Building	Leasehold Building	Infrastructures	Improvement	Machinery and Fixtures	Furniture and Fixtures	Motor Vehicles	Tools and Equipment	Office Equipment	Computer Equipment	Computer Software	Construction in Progress	Total
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Accumulated Depreciation																
At 1/4/2019	25,518	-	27,979	13,369	-	797,701	94,680	3,189,020	183,733	260,750	511,261	68,483	15,240	10,009	-	5,197,743
Transfer to right-of-use assets upon initial adoption of HKFRS 16	-	-	(27,979)	-	-	-	21,597	420,497	33,207	81,917	41,678	14,156	4,837	399	-	(27,979)
Charge for the year	138,391	-	-	69,003	-	109,051	-	(165,553)	-	(60,641)	-	(379)	-	-	-	936,425
Written back on disposal	-	-	-	-	-	(5,685)	-	(10,247)	-	(383)	-	(820)	(8)	(119)	-	(226,573)
Exchange realignment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(17,379)
At 31/3/2020	163,909	-	-	82,372	-	901,067	116,277	3,433,717	216,940	281,643	552,939	81,440	20,069	10,289	-	5,860,662
Charge for the year	138,391	-	-	68,536	-	115,891	26,627	415,441	39,081	56,688	32,359	19,850	2,907	3,483	-	919,254
Written back on disposal	-	-	-	-	-	8,501	-	(393,596)	-	(10,221)	(1,268)	-	-	-	-	(405,085)
Exchange realignment	-	-	-	-	-	-	-	15,026	-	676	-	(1,288)	(21)	176	-	(25,646)
At 31/3/2021	302,300	-	-	150,908	-	1,025,459	142,904	3,470,588	256,021	328,786	584,030	102,578	22,955	13,948	-	6,400,477
Net Carrying Amount																
At 31/3/2021	3,522,572	182,932	-	1,853,010	16,710	722,110	35,437	1,547,253	113,175	160,100	46,965	85,097	4,963	26,884	5,239,566	13,556,775
At 31/3/2020	3,660,963	182,932	-	1,921,546	-	829,026	62,064	1,928,700	142,675	239,345	77,359	70,734	7,870	23,104	3,138,845	12,285,164

- (1) Prior year adjustment was made to transfer the land use right to right-of-use assets upon the adoption of HKFRS 16 as at April 1, 2019 as disclosed in Note (35) to the consolidated financial statements.
- (2) As at March 31, 2021, property, plant and equipment of the subsidiary in Vietnam with net carrying amount of US\$566,282 (2020: US\$878,428) are pledged to secure the bank borrowings as disclosed in Note (22) to the consolidated financial statement.
- (3) As at March 31, 2021, machineries of the subsidiary in Vietnam with net carrying amount of US\$67,284 is under finance lease as disclosed in Note (21) to the consolidated financial statements.
- (4) As at March 31, 2021, the leasehold land and building in Hong Kong with the net carrying amount of US\$5,375,582 (2020: US\$5,582,509) were pledged to bank to secure for the general banking facilities granted to the Group as disclosed in Note (32) to the consolidated financial statements.
- (5) As at March 31, 2021, machineries of the subsidiary in Indonesia with net carrying amount of US\$3,500,000 were pledged to bank to secure for the general banking facilities granted to the Group as disclosed in Note (32) to the consolidated financial statements.
- (6) Depreciation expenses of US\$514,472 (2020: US\$509,936) has been charged to consolidated statement of profit or loss and other comprehensive income within cost of sales and US\$404,782 (2020: US\$424,797) has been charged to consolidated statement of profit or loss and other comprehensive income within depreciation expenses.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
- Key man insurance policy	2,838,072	2,768,066
- Structured product	-	1,258,760
	2,838,072	4,026,826
	2,838,072	4,026,826

The key man insurance policy was pledged to bank to secure for banking facilities granted to the Group as disclosed in Note (32) to the consolidated financial statements.

12. LOAN RECEIVABLES

The loans to third parties are unsecured, bear interest rate of 2% - 2.5% per annum, and are repayable on or before December 31, 2022 and March 31, 2023.

13. RIGHT-OF-USE ASSETS

	<u>Land use right</u>	<u>Office</u>	<u>Factory</u>	<u>Total</u>
	US\$	US\$	US\$	US\$
At 1/4/2019	-	393,218	-	393,218
Transfer from property, plant and equipment upon adoption of HKFRS 16	-	-	-	-
Depreciation charge for the year	(1,692)	(270,171)	-	(271,863)
Exchange realignment	(282)	-	-	(282)
	24,160	123,047	-	147,207
At 31/3/2020	24,160	123,047	-	147,207
Additions	-	54,797	494,083	548,880
Depreciation charge for the year	(1,698)	(121,017)	(200,169)	(322,884)
Exchange realignment	344	-	-	344
	22,806	56,827	293,914	373,547
At 31/3/2021	22,806	56,827	293,914	373,547

As at March 31, 2021, the land use right certificate of the subsidiary is pledged to secure the bank borrowings as disclosed in Note (18) to the consolidated financial statement.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. RIGHT-OF-USE ASSETS (CONT'D)

The lease terms of the land use right is 30 years with its term up to November 2033. The land is located in Dinh Tri Commune, Bac Giang City, Bac Giang Province. The lease term of the land use right is 30 years. The lease terms of the factory and office are 1.5 to 5 years. The lease terms of the offices range from 2 to 4 years. Depreciation is provided to write off the cost of items of right-of-use assets over their expected useful lives using straight line method. When there is no reasonable certainty that ownership will be obtained by the end of the lease term, the assets are depreciated over the lease term.

The Group does not have the option to purchase the right-of-use assets for a nominal amount at the end of the lease terms.

Lease liabilities of approximately HK\$116,107 are recognised with related right-of-use assets of approximately HK\$350,741 as at March 31, 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease assets may not be used as security for borrowing purposes.

14. <u>GOODWILL</u>	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Carrying amount at March 31	1,932,750 =====	1,932,750 =====
15. <u>INVENTORIES</u>	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Cost:		
Goods in transit	531,140	353,055
Raw materials	1,680,921	1,487,206
Work in progress	3,333,787	3,953,149
Finished goods	604,386	291,438
	6,150,234	6,084,848
Less: Provision for devaluation on inventories	(324,126)	(32,287)
Net carrying amount of inventories	5,826,108	6,052,561

(1) At the end of reporting period, inventories amounting to US\$2,000,000 (2020: US\$2,000,000) are used as collateral for part of the bank facilities as disclosed in Note (22) and (32) to the consolidated financial statements.

(2) During the year, the Group made provision for devaluation of inventories with the amount of US\$324,126 (2020:US\$32,287) because the net realizable value of finished goods was lower than its cost.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. TRADE AND OTHER RECEIVABLES

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Trade receivables (Note (a))		
- Third parties	12,748,583	19,003,029
- Related parties (Note (d))	<u>3,624,126</u>	<u>4,702,441</u>
	16,372,709	23,705,470
Other receivables (Note (b)(d))	<u>1,266,468</u>	<u>1,441,268</u>
	<u>17,639,177</u>	<u>25,146,738</u>

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Note (a): At March 31, the aging analysis of trade receivables that are not impaired is as follows:		
Current	8,551,811	19,505,256
Past due less than 30 days	4,350,846	2,076,504
Past due 30 to 180 days	3,230,963	2,072,610
Past due 181 days to 1 year	124,531	47,528
Past due more than 1 year	<u>114,558</u>	<u>3,572</u>
	16,372,709	23,705,470

Note (b): Third parties	1,201,250	679,293
Related parties (Note (c))	<u>65,218</u>	<u>761,975</u>
	<u>1,266,468</u>	<u>1,441,268</u>

Note (c): Trade receivables and other receivables from related parties derived solely from ordinary business transactions. The amounts are interest-free, unsecured and repayable within credit term.

Note (d): At the end of reporting period, trade receivables amounting to US\$3,500,000 are used as collateral for bank facilities as disclosed in Note (23) and (33) to the consolidated financial statements.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. CASH AND CASH EQUIVALENTS

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Cash and bank balances	4,535,197	6,107,550

Reconciliation of liabilities arising from financing activities is as follows:

	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Obligations under finance lease		Secured bank borrowings	Unsecured bank borrowings	Loan from a non-controlling interest	Loan from a ex-director of a subsidiary	Share application money	Lease liabilities		Total
At 1/4/2019	26,842	16,769,635	346,460	80,000	110,000	482,716	-	-	17,815,653
Impact on initial application of HKFRS 16	-	-	-	-	-	-	-	-	-
At 1/4/2019	26,842	16,769,635	346,460	80,000	110,000	482,716	-	-	17,815,653
Financing cash outflows	(19,794)	2,185,522	(346,460)	-	(80,000)	845,032	(267,605)	-	2,316,695
Addition of lease liabilities	-	-	-	-	-	-	393,219	-	393,219
Finance costs paid	(637)	(627,054)	(67,116)	-	-	-	(8,211)	-	(703,018)
Finance costs	637	627,054	67,116	-	-	-	8,211	-	703,018
At 31/3/2020	7,048	18,955,157	-	80,000	30,000	1,327,748	125,614	-	20,525,567
Financing cash outflows	(7,048)	(6,701,737)	-	-	(30,000)	-	(526,655)	-	(7,265,440)
Allotment of preference shares by non-controlling interests	-	-	-	-	-	(1,327,747)	-	-	(1,327,747)
Addition of lease liabilities	-	-	-	-	-	-	517,148	-	517,148
Finance costs paid	-	(473,953)	-	-	-	-	(10,414)	-	(484,367)
Finance costs	-	473,953	-	-	-	-	10,414	-	484,367
At 31/3/2021	-	12,253,420	-	80,000	-	1	116,107	-	12,449,528

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. AMOUNTS DUE TO ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The amounts due to ultimate holding company/fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

19. TRADE AND OTHER PAYABLES

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Trade payables (Note (a))		
Third parties	4,503,913	2,766,960
Related party (Note (b))	<u>720,039</u>	<u>285,550</u>
	5,223,952	3,052,510
	-----	-----
Other payables		
Third parties	1,054,859	1,195,610
Related party (Note (b))	<u>500,000</u>	<u>13,210</u>
	1,554,859	1,208,820
	-----	-----
Accruals	<u>1,398,118</u>	<u>1,327,051</u>
	<u>8,176,929</u>	<u>5,588,381</u>
	=====	=====

	<u>2021</u>	<u>2020</u> (Restated)
--	-------------	---------------------------

Note (a): Aging analysis of trade payables is as follows:

Due for payment:		
Not later than one year	<u>5,223,952</u>	<u>3,052,510</u>
	=====	=====

Note (b): Trade payables and other payables due to related parties are derived solely from ordinary business transactions. The amounts are interest-free, unsecured and repayable within credit term.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	<u>2021</u>		<u>2020</u>	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	US\$	US\$	US\$	US\$
Within 1 year	113,299	113,895	94,457	96,391
In the second to fifth year inclusive	<u>2,808</u>	<u>2,894</u>	<u>31,157</u>	31,857
	<u>116,107</u>	116,789	<u>125,614</u>	128,248
Less: total future interest expenses		<u>(682)</u>		<u>(2,634)</u>
		<u>116,107</u>		<u>125,614</u>

21. OBLIGATION UNDER FINANCE LEASE

The carrying amount of the obligation under finance lease at the end of reporting period is analysed as follows:

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Amount repayable within one year	-	4,009
Amount repayable in the 2nd year	<u>-</u>	<u>3,039</u>
	<u>-</u>	<u>7,048</u>

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. SECURED BANK BORROWINGS

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

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
<i><u>Amount repayable within one year</u></i>		
Discounted bills and trust receipt loans	2,070,245	9,812,350
Term loans	5,690,765	4,253,478
	7,761,010	14,065,828
<i><u>Amount not repayable within one year but contain a repayment on demand clause</u></i>		
Term loans		
Amount repayable in the 2nd year	1,301,810	1,549,701
Amount repayable in the 3rd to 5th years	1,641,984	1,530,884
Amount repayable in the 5th year	1,548,616	1,808,744
	4,492,410	4,889,329
	12,253,420	18,955,157

- (a) The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.
- (b) The bank borrowing facilities are secured by part of the Group's property, plant and equipment, inventories and trade receivables, corporate guarantee of the ultimate holding company and a fellow subsidiary and directors' personal guarantee.

23. SHARE APPLICATION MONEY

Share application money represents the fund advanced by two directors in the year. In prior year share application money represented the fund advanced by a fellow subsidiary. Deduction in share application money in the year represents allotment of preference shares by non-controlling interests. The amount is unsecured, interest-free and will convert into share capital upon the completion of share allotment.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. LOAN FROM A FORMER DIRECTOR OF A SUBSIDIARY

As at March 31, 2020, loan from a former director was unsecured, interest free and expected to be fully repayable within the coming twelve months from the end of the reporting period.

25. LOAN FROM A NON-CONTROLLING INTEREST

As at March 31, 2021 and 2020, the loan from a non-controlling interest is unsecured, interest free and not expected to be fully repayable within the coming twelve months from the end of the reporting period.

26. EMPLOYEE BENEFITS OBLIGATION

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
At April 1	586,104	666,362
Amounts charged to operating expenses	32,388	66,710
Amounts credited to other comprehensive income	46,806	(123,510)
Payment during the year	(69,254)	(22,781)
Effects of foreign exchange rate changes	<u>1,354</u>	<u>(677)</u>
At March 31	<u>597,398</u>	<u>586,104</u>

27. SHARE CAPITAL

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Issued and fully paid:		
1,610,000 ordinary shares	<u>9,060,000</u>	<u>9,060,000</u>

The holder of ordinary shares is 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 (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS


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

	<u>2021</u>	<u>2020</u> (Restated)
<u>NOTES</u>	US\$	US\$
Non-Current Assets		
Plant and equipment	553	7,481
Interests in subsidiaries	17,642,521	19,864,908
Financial assets at fair value through other comprehensive income	2,838,072	2,768,066
Loans receivable	2,936,371	3,233,359
Right-of-use assets	29,429	123,047
	23,446,946	25,996,861
Current Assets		
Deposits and prepayments	4,329	126,961
Trade and other receivables	9,878,229	16,406,690
Cash and cash equivalents	3,260,326	3,968,912
	13,142,884	20,502,563
Current Liabilities		
Amounts due to fellow subsidiaries	9,186,667	16,496,322
Amount due to ultimate holding company	2,254,774	2,689,554
Trade and other payables	2,948,946	524,482
Lease liabilities	28,123	94,457
Secured bank borrowings	5,816,726	12,067,448
Bank overdrafts	749,927	949,365
	20,985,163	32,821,628
Net Current Liabilities	(7,842,279)	(12,319,065)
Non-Current Liabilities		
Lease liabilities	2,808	31,157
NET ASSETS	15,601,859	13,646,639
EQUITY		
Share capital	9,060,000	9,060,000
Revaluation surplus	194,797	124,791
Retained earnings	6,347,062	4,461,848
TOTAL EQUITY	15,601,859	13,646,639

APPROVED BY THE BOARD OF DIRECTORS ON JUNE 3, 2021 AND SIGNED ON BEHALF OF THE BOARD BY:



Deepak Kumar SETH
Director



Pulkit SETH
Director

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) INTERESTS IN SUBSIDIARIES

Unlisted shares, at cost
Amounts due from subsidiaries (Note (i))

	2021 US\$	2020 US\$ (Restated)
3,328,189	3,328,189	5,747,788
14,314,332	14,314,332	14,117,120
17,642,521	17,642,521	19,864,908

Particulars of principal subsidiaries are as follows:

Name of subsidiaries	Place of incorporation and operation	Percentage of Equity attributable to the Company				Principal activity
		2021		2020		
		Directly	Indirectly	Directly	Indirectly	
PT Pinnacle Apparels *	Indonesia	-	69.91%	-	69.91%	Engaged in garment and textiles industry
A&B Investment Limited *	U.A.E.	-	-	100%	-	Investment holding
Pearl Global F.Z.E. *	U.A.E.	-	-	100%	-	Investment holding
PGIC Investment Limited	Hong Kong	100%	-	100%	-	Property holding
Pearl Global (Chang Zhou) Textile Technology Co., Ltd. *	China	100%	-	100%	-	Research and development of textile technology & products
DSSP Global Limited	Hong Kong	100%	-	100%	-	General trading and investment holding
Pearl Grass Creation Limited	Hong Kong	80%	-	80%	-	Garment trading
Vin Pearl Global Vietnam Limited	Hong Kong	100%	-	100%	-	Investment holding
Pearl Global Vietnam Company Limited *	Vietnam	-	100%	-	100%	General trading, import and export
Prudent Fashions Limited *	Bangladesh	99.95%	-	99.95%	-	Garment manufacturer

* Not audited by Louis Lai & Luk CPA Limited

- (i) The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayments.
(ii) A&b Investment Limited and Pearl Global F.Z.E. were disposed in the year at consideration of US\$1,212,725 and US\$1,206,874 respectively.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) MOVEMENT IN THE EQUITY OF THE COMPANY

	<u>Share capital</u>	<u>Revaluation surplus</u>	<u>Retained earnings</u>	<u>Total</u>
	US\$	US\$	US\$	US\$
At April 1, 2019	9,060,000	-	3,248,876	12,308,876
Profit for the year	-	-	1,212,972	1,212,972
Other comprehensive income for the year, as previously reported	-	-	-	-
Prior year adjustment	-	124,791	-	124,791
Other comprehensive income for the year, as restated	-	124,791	-	124,791
At March 31, 2020, as restated	9,060,000	124,791	4,461,848	13,646,639
Profit for the year	-	-	1,885,214	1,885,214
Other comprehensive for the year	-	70,006	-	70,006
At March 31, 2021	9,060,000	194,797	6,347,062	15,601,859

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS

Risk management

(A) Categories of financial assets and financial liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and financial liabilities.

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
<u>Financial assets</u>		
<i>Financial assets at fair value through other comprehensive income</i>	2,838,072	4,026,826
	-----	-----
<i>Financial assets measured at amortised cost</i>		
Other investment at amortised cost	-	-
Loans receivable	2,936,371	3,233,359
Deposits (non-current)	69,766	184,934
Deposits (current)	20,220	34,912
Trade and other receivables	17,639,177	25,146,738
Cash and cash equivalents	4,535,197	6,107,550
	-----	-----
	25,200,731	34,707,493
	-----	-----
	28,038,803	38,734,319
	=====	=====
<u>Financial liabilities</u>		
<i>Financial liabilities measured at amortised cost</i>		
Amount due to ultimate holding company	1,917,422	2,465,463
Amounts due to fellow subsidiaries	9,505,147	16,924,951
Trade and other payables	8,176,929	5,588,381
Obligations under finance lease	-	7,048
Secured bank borrowings	12,253,420	18,955,157
Bank overdrafts	1,584,266	1,633,117
Lease liabilities	116,107	-
Share application money	1	1,327,748
Loan from a non-controlling interest	80,000	80,000
	-----	-----
	33,633,292	46,981,865
	=====	=====

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONT'D)

(B) Finance risk management, objectives and policies

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include credit risk, foreign currency risk, liquidity risk and interest rate risk.

Policies for managing these risks are set by the Group's board of directors. The overall objectives in managing financial risks focus on securing the Group's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not the Group's policy to actively engage in the trading of financial instruments for speculative purposes.

(a) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers and other counterparties in the ordinary course of its operations.

Trade receivables

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are usually due within 30-90 days from the date of billing. Debtors with balances that are past due are usually requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers. Trade receivables at the reporting date mainly comprise amounts receivable from sales of goods. No interest is charged on the trade receivables.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The directors of the Group are on the opinion that the expected credit loss rate is close to zero as these trade receivables have no recent history of default.

Expected loss rates are based on actual loss experience over the past one year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

After performing the individual credit evaluations on all customers, no provision for impairment was made on trade receivables during the year.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONT'D)

(B) Finance risk management, objectives and policies (cont'd)

(a) Credit risk (Cont'd)

Other financial assets at amortised cost

As at March 31, 2021, in addition to the cash and bank balances which are considered to have low credit risk, other financial assets at amortised cost of the Group include other receivables and deposits. No provision was made against the gross amount of other receivables, deposits and cash and bank balances because the directors of the Group considered the impact of the ECLs of these financial assets to be insignificant based on past credit history and the nature of these financial assets.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables, other receivables and deposits paid.

	<u>2021</u>	<u>2020</u>
	US\$	US\$
Balance at April 1	-	-
Impairment loss recognised	78,066	-
Amounts written off during the year as uncollectible	<u>(78,066)</u>	<u>-</u>
Balance at March 31	<u>-</u>	<u>-</u>

(b) Foreign currency risk

The Group operates internationally and is primarily exposed to foreign exchange risk arising from currency exposures of the United States dollars, with respect to the Hong Kong dollar. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(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.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONT'D)

(B) Finance risk management, objectives and policies (cont'd)

(b) Foreign currency risk (Cont'd)

(i) Exposure to currency risk (Cont'd)

(Expressed in US\$)

2021

	HKD	IDR	EUR	GBP	SGD	VND	CNY	Total
Financial assets at FVOCI	-	-	-	-	-	-	-	-
Deposit and prepayment	19,222	-	-	908	-	-	-	20,130
Trade and other receivables	-	-	-	-	-	3,991	-	3,991
Bank and cash balances	60,190	213,006	-	144	20	27,010	4,456	304,826
Trade and other payables	(8,727)	(105,930)	-	-	-	(881,408)	-	(996,065)
Lease Liability	-	(85,176)	-	-	-	-	-	(85,176)
Secured bank borrowings	(2,042,018)	-	-	-	-	(3,084)	-	(2,045,102)
Net exposure arising from recognised assets and liabilities	(1,971,333)	21,900	-	1,052	20	(853,491)	4,456	(2,797,396)

(Expressed in US\$)

2020

(Restated)

	HKD	IDR	EUR	GBP	SGD	VND	CNY	Total
Financial assets at FVOCI	-	-	-	-	-	-	-	-
Deposit and prepayment	19,222	-	-	20,174	-	7,223	-	46,619
Trade and other receivables	2,733	-	-	-	-	153,398	-	156,131
Bank and cash balances	50,665	344,781	49	135	19	53,327	2,045	451,021
Trade and other payables	(68,826)	(239,697)	-	-	-	(715,894)	-	(1,024,417)
Secured bank borrowings	(2,171,118)	-	-	-	-	(9,467)	-	(2,180,585)
Obligations under finance lease	-	-	-	-	-	(3,039)	-	(3,039)
Net exposure arising from recognised assets and liabilities	(2,167,324)	105,084	49	20,309	19	(514,452)	2,045	(2,554,270)

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONT'D)

(B) Finance risk management, objectives and policies (cont'd)

(c) Foreign 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>2021</u>		<u>2020</u> (Restated)	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
	US\$	US\$	US\$	US\$
British Pound (GBP)	105	(105)	2,031	(2,031)
Euro (EUR)	-	-	5	(5)
Hong Kong Dollar (HKD)	(197,133)	197,133	(216,732)	216,732
Indonesian Rupiah (IDR)	2,190	(2,190)	10,508	(10,508)
Singapore Dollar (SGD)	2	(2)	2	(2)
Vietnamese Dong (VND)	(85,349)	85,349	(51,445)	51,445
Chinese Yuan (CNY)	446	(446)	205	(205)
	<u>(279,739)</u>	<u>279,739</u>	<u>(255,426)</u>	<u>255,426</u>

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 2019.

(d) Liquidity risk

udent liquidity risk management implies maintaining sufficient cash. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. FINANCIAL INSTRUMENTS (CONT'D)

(e) Interest rate risk

The Group has no significant interest bearing assets and liabilities except secured bank borrowings. Its expenses and operating cash flows are substantially independent of changes in market interest rates. Carrying amounts of net financial liabilities as at March 31 that exposed to interest rate risks were as follows:

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
<i>Financial liabilities bearing variable interests:</i>		
Bank overdrafts	(1,584,266)	(1,633,117)
Secured bank borrowings - term loans, discounted bills loans and trust receipt loans	<u>(11,805,045)</u>	<u>(17,888,494)</u>
	<u>(13,389,311)</u>	<u>(19,521,611)</u>

(ii) Sensitivity analysis

At March 31, 2021, it is estimated that a general increase/decrease of 100 basis points in interest rate, with all other variables held constant, interest income and profit before taxation for the year ended March 31, 2021 would decrease/increase by a net amount of US\$3,347 (2020: US\$4,880). The carrying amount of financial asset/liability measured at amortized cost and the carrying amount of financial asset/liability bearing interest rate measured at fair value would not be affected by the assumed 100 basis points increase/decrease in interest rate.

Although a financial asset or financial liability may be subject to interest rate risk, its carrying amount may not necessarily be affected by the assumed 100 basis points increase in market interest rates.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. FAIR VALUE MEASUREMENT

Financial assets measured at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	<u>Fair value measurements as at March 31, 2021 categorised into</u>		
	Level 1	Level 2	Level 3
	US\$	US\$	US\$
Financial assets at fair value through other comprehensive income			
- Key man insurance policy	2,838,072	-	-
	<u>2,838,072</u>	<u>-</u>	<u>-</u>

	<u>Fair value measurements as at March 31, 2020 categorised into</u>		
	Level 1 (Restated)	Level 2	Level 3
	US\$	US\$	US\$
Financial assets at fair value through other comprehensive income			
- Key man insurance policy	2,768,066	-	-
- Structured products	1,258,760	-	-
	<u>4,026,826</u>	<u>-</u>	<u>-</u>

During the years ended March 31, 2021 and 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31. RELATED PARTY TRANSACTIONS

During normal course of business, the Group had the following material transactions with the related parties:

<u>Name of Company</u>	<u>Relationship</u>	<u>Nature of transaction</u>	<u>2021</u>	<u>2020</u> (Restated)
			US\$	US\$
Norp Knit Industries Limited ⁽¹⁾	Fellow Subsidiary	- Sales	665,822	184,583
		- Purchases	40,185,015	50,099,755
Pearl Global Fareast Company Limited ⁽¹⁾	Fellow subsidiary	- Sales	15,787,604	25,870,361
Pearl Global Industries Limited, India ⁽¹⁾	Ultimate holding company	- Sales	6,745,909	2,514,141
		- Purchases	12,942,449	15,123,285
		- Consultancy fee	583,925	1,175,740
		- Sundry expenses	424,044	240,929

⁽¹⁾ Connected with Deepak Kumar SETH, Pulkit SETH who are the directors of the captioned company.

32. BANKING FACILITIES

General banking facilities were granted by various banks to the Company and subsidiaries of the Group and were secured by bank accounts, part of the property, plant and equipment, inventories, trade receivables, corporate guarantee of ultimate holding company and a fellow subsidiary and directors' personal guarantee.

33. CONTINGENT LIABILITIES

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

	<u>2021</u>	<u>2020</u> (Restated)
	US\$	US\$
Irrevocable letters of credit	1,549,121	-

The Company provided unlimited guarantee to a bank for banking facilities of subsidiaries and a fellow subsidiary.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED MARCH 31, 2021

Up to the date of issue of these consolidation financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended March 31, 2021 and which have not been adopted in these consolidation financial statements. These include the following which may be relevant to the Group.

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

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

² Effective for annual periods beginning on or after January 1, 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after June 1, 2020.

⁵ Effective for annual periods beginning on or after January 1, 2021.

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35. PRIOR YEAR ADJUSTMENTS

- (1) In 2020, expenses amount of US\$229,747 were deferred under prepayments, and this amount should be recognised as expenses in the period in which they were incurred.
- (2) In 2020, land use right of the subsidiary in Vietnam was classified as property, plant and equipment. Upon adoption of HKFRS 16, the land use right should be recognised as right-of-use assets.
- (3) In 2020, key man insurance policy of the Company was classified as other investment at amortised costs, but it should be recognised as financial assets at fair value through other comprehensive income.

These errors have been corrected in the accounting records retrospectively and comparative figures have been restated in the financial statements. The effect of the restatement on those financial statements is summarised below. There is no effect in 2020.

The effect of prior year adjustment on the consolidated statement of profit or loss and other comprehensive income is as follows:

		<u>Effect in 2020</u>
		US\$
(Increase) in cost of sales		(437,953)
Decrease in other operating expenses		208,206
Increase in other comprehensive income		<u>124,791</u>
 (Decrease) in profit		 <u><u>(104,956)</u></u>
		 <u>Effect in 2020</u>
		US\$
(Decrease) in long term prepayment	(1)	(143,261)
(Decrease) in prepayment	(1)	(86,486)
(Decrease) in property, plant and equipment	(2)	(24,160)
Increase in right-of-use assets	(2)	24,160
(Decrease) in other investment at amortised cost	(3)	(2,643,275)
Increase in financial assets at fair value through comprehensive income	(3)	<u>2,768,066</u>
 (Decrease) in assets		 <u><u>(104,956)</u></u>
 Increase in revaluation surplus	(3)	 124,791
Decrease in retained earnings	(1)	<u>(229,747)</u>
 (Decrease) in equity		 <u><u>(104,956)</u></u>

PEARL GLOBAL (HK) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36. COMPARATIVE FIGURES

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

37. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Company's Board of Directors on June 3, 2021.