

PEARL GRASS CREATIONS LIMITED

Reports and Financial Statements
For the year ended 31 March 2025

PEARL GRASS CREATIONS LIMITED

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

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PEARL GRASS CREATIONS LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company for the year ended 31 March 2025.

PRINCIPAL ACTIVITY

The principal activity of the Company is trading of garment. There were no significant changes in the nature of the Company's principal activity during the year.

RESULTS AND DIVIDENDS

The Company's profit for the year ended 31 March 2025 and the Company's financial position at that date are set out in the financial statements on pages 6 to 7.

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

DIRECTORS

The directors of the Company during the year were:

Deepak Kumar SETH

Gurusankar GURUMOORTHY

Pulkit SETH

Shifalli SETH

Lalit Pandit JADE

(appointed on 3 February 2025)

Sumit LATH

(resigned on 29 November 2024)

In accordance with Article 22 of the Company's Articles of Association, all remaining directors continue in office.

DIRECTORS' INTERESTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

PEARL GRASS CREATIONS LIMITED


PERMITTED INDEMNITY PROVISIONS

During the year ended 31 March 2025, a permitted indemnity provision as defined in the Hong Kong Companies Ordinance was in force for an indemnity against a liability incurred by the directors of the Company, to a third party.

AUDITOR

During the year, Messrs. Ernst & Young, who acted as auditor of the Company, resigned and Messrs. Deloitte Touche Tohmatsu was appointed as auditor of the Company. A resolution will be submitted at the forthcoming annual general meeting to re-appoint them as auditor of the Company.

On behalf of the Board



Deepak Kumar SETH
DIRECTOR

Hong Kong
09 May 2025

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF PEARL GRASS CREATIONS LIMITED (incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Pearl Grass Creations Limited (the "Company") set out on pages 6 to 24, which comprise the statement of financial position as at 31 March 2025, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2025, and of its financial performance and its cash flows for the year then ended in accordance with the HKFRS Accounting Standards as 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 ("HKSAs") as issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company for the year ended 31 March 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 15 May 2024.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF PEARL GRASS CREATIONS LIMITED - continued
(incorporated in Hong Kong with limited liability)

Other Information - continued

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

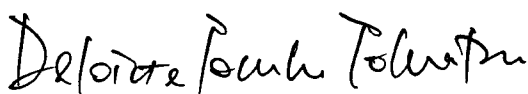
TO THE SOLE MEMBER OF PEARL GRASS CREATIONS LIMITED - continued
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Financial Statements - continued

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

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

The engagement partner on the audit resulting in this independent auditor's report is Leung Chui Shan (practising certificate number: P05731).



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
9 May 2025

PEARL GRASS CREATIONS LIMITED

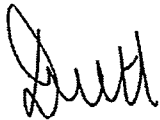
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2025


	<u>NOTES</u>	<u>2025</u> US\$	<u>2024</u> US\$
Revenue	4	84,920,291	60,156,797
Cost of sales		<u>(72,940,565)</u>	<u>(53,338,064)</u>
Gross profit		11,979,726	6,818,733
Other income	4	4,859	22,750
Administrative expenses		(5,184,699)	(4,101,657)
Other operating expenses		(251,742)	(182,252)
Finance costs	5	<u>(878,128)</u>	<u>(694,940)</u>
Profit before tax	6	5,670,016	1,862,634
Income tax expense	7	<u>(914,948)</u>	<u>(265,364)</u>
Profit and total comprehensive income for the year		<u><u>4,755,068</u></u>	<u><u>1,597,270</u></u>

PEARL GRASS CREATIONS LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2025**

	<u>NOTES</u>	<u>2025</u> <u>US\$</u>	<u>2024</u> <u>US\$</u>
NON-CURRENT ASSETS			
Property, plant and equipment	8	-	-
CURRENT ASSETS			
Inventories			
Trade receivables	9	1,170,619	1,237,039
Prepayments and other receivables	10	5,434,158	2,318,427
Amount due from immediate holding company		73,483	297,634
Amounts due from fellow subsidiaries	14(b)	3,464,363	2,232,500
Loan receivable from a fellow subsidiary	14(b)	969,413	40,590
Cash and cash equivalents	14(c)	125,000	-
Total current assets		1,871,285	824,506
		<u>13,108,321</u>	<u>6,950,696</u>
CURRENT LIABILITIES			
Trade payables		135,417	497,404
Other payables and accruals		48,786	92,848
Amounts due to fellow subsidiaries		4,771,526	2,296,338
Bank borrowings	14(b)	134,302	1,120,867
Tax payable	11	699,413	379,430
		<u>5,789,444</u>	<u>4,386,887</u>
NET CURRENT ASSETS		<u>7,318,877</u>	<u>2,563,809</u>
NET ASSETS		<u>7,318,877</u>	<u>2,563,809</u>
EQUITY			
Share capital			
Retained profits	12	400,000	400,000
TOTAL EQUITY		<u>6,918,877</u>	<u>2,163,809</u>
		<u>7,318,877</u>	<u>2,563,809</u>


Deepak Kumar SETH
DIRECTOR


Lalit Pandit JADE
DIRECTOR

PEARL GRASS CREATIONS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2025

	Share <u>capital</u> US\$	Retained <u>profits</u> US\$	<u>Total</u> <u>equity</u> US\$
At 1 April 2023	400,000	566,539	966,539
Profit and total comprehensive income for the year	-	1,597,270	1,597,270
At 31 March 2024	400,000	2,163,809	2,563,809
Profit and total comprehensive income for the year	-	4,755,068	4,755,068
At 31 March 2025	400,000	6,918,877	7,318,877

PEARL GRASS CREATIONS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2025

	<u>2025</u> US\$	<u>2024</u> US\$
OPERATING ACTIVITIES		
Profit before tax	5,670,016	1,862,634
Adjustments for:		
Bank interest income	(4,859)	(5,134)
Finance costs	878,128	694,940
Operating cash flows before movements in working capital	6,543,285	2,552,440
Decrease (increase) in inventories	66,420	(919,152)
Increase in trade receivables	(3,115,731)	(245,104)
Decrease (increase) in prepayments and other receivables	224,151	(188,478)
Decrease in amount due from immediate holding company	-	217,990
Increase in amounts due from fellow subsidiaries		(2,577)
(Decrease) increase in trade payables	(361,987)	475,902
Decrease in other payables and accruals	(44,062)	(321,973)
Increase (decrease) in amounts due to fellow subsidiaries	2,475,188	(2,319,688)
Decrease in amount due to ultimate holding company	-	(24,705)
Cash generated from (used in) operations	5,787,264	(775,345)
Interest received	4,859	5,134
Interest paid	(878,128)	(694,940)
Income tax paid	(594,965)	-
NET CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES	4,319,030	(1,465,151)
INVESTING ACTIVITIES		
Advance to immediate holding company	(1,231,863)	-
Advances to fellow subsidiaries	(928,823)	-
Loan to a fellow subsidiary	(125,000)	-
CASH USED IN INVESTING ACTIVITIES	(2,285,686)	-
FINANCING ACTIVITIES		
New bank borrowings	1,006,348	1,662,168
Repayment of bank borrowings	(1,992,913)	(541,301)
Repayment of loan from immediate holding company	-	(320,000)
Repayment of loan from a shareholder	-	(80,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(986,565)	720,867

PEARL GRASS CREATIONS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2025

	<u>2025</u> US\$	<u>2024</u> US\$
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,046,779	(744,284)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>824,506</u>	<u>1,568,790</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR represented by bank balances and cash	<u><u>1,871,285</u></u>	<u><u>824,506</u></u>

PEARL GRASS CREATIONS LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2025

1. CORPORATE INFORMATION

Pearl Grass Creations Limited is a limited liability company incorporated in Hong Kong. Its registered office is located at Room 1801, 18/F, Kimberland Centre, No. 55 Wing Hong Street, Cheung Sha Wan, Kowloon.

The Company is a wholly-owned subsidiary of Pearl Global (HK) Limited, a company incorporated in Hong Kong. In the opinion of the directors, the ultimate holding company is Pearl Global Industries Limited, a company incorporated in India, whose shares are listed on the Bombay Stock Exchange and the National Stock Exchange in India.

The principal activities of the Company is garment trading.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements have been prepared under the historical cost convention and are presented in United States dollars ("US\$"), which is also the Company's functional currency.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

In the current year, the Company has applied the following amendments to HKFRS Accounting Standards as issued by the HKICPA for the first time, which are mandatorily effective for the Company's annual period beginning on 1 April 2024 for the preparation of the financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS7	Supplier Finance Arrangements

The application of the amendments to HKFRS Accounting Standards in the current year has had no material impact on the Company's financial positions and performance for the current and prior years and/or on the disclosures set out in these financial statements.

2. ACCOUNTING POLICIES - continued

2.3 HKFRS ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has not early applied the following new and amendments to HKFRS Accounting Standards that have been issued but are not yet effective:

HKFRS 18	Presentation and Disclosure in Financial Statements ⁴
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards - Volume 11 ³
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKAS 21	Lack of Exchangeability ²

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

Except for the new HKFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all the amendments to HKFRS Accounting Standards will have no material impact on the financial statements in the foreseeable future.

HKFRS 18 "Presentation and Disclosure in Financial Statements"

HKFRS 18, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 "Presentation of Financial Statements". This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some paragraphs in HKAS 1 have been moved to HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and HKFRS 7 "Financial Instruments: Disclosures". Minor amendments to HKAS 7 "Statement of Cash Flows" and HKAS 33 "Earnings per Share" are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements.

The Company is still in the process to assess whether to elect to apply the reduced disclosures requirements in the future financial statements.

2. ACCOUNTING POLICIES - continued

2.4 MATERIAL ACCOUNTING POLICY INFORMATION

Financial assets

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

(a) Classification and measurement

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

(b) Impairment

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

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

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

(c) Derecognition

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

PEARL GRASS CREATIONS LIMITED

2. ACCOUNTING POLICIES - continued

2.4 MATERIAL ACCOUNTING POLICY INFORMATION - continued

Financial liabilities

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

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

Revenue recognition

Revenue from contracts with customers

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

Sale of garment products

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

Other income

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and at banks.

Borrowing costs

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

2. ACCOUNTING POLICIES - continued

2.4 MATERIAL ACCOUNTING POLICY INFORMATION - continued

Inventories

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

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS Accounting Standard requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees after deducting any amount already paid.

Income tax

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

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

PEARL GRASS CREATIONS LIMITED

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

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

Impairment of trade receivables

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

4. REVENUE AND OTHER INCOME

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

	<u>2025</u> US\$	<u>2024</u> US\$
<i>Revenue from contracts with customers</i>		
Sales of garment products	<u>84,920,291</u>	<u>60,156,797</u>

The performance obligation is satisfied at a point in time upon delivery of the garment products and payment is generally due within 30 to 90 days from delivery.

Other income includes the following:

	<u>2025</u> US\$	<u>2024</u> US\$
Bank interest income	4,859	5,134
Service income from suppliers	-	16,898
Miscellaneous income	-	718
	<u>4,859</u>	<u>22,750</u>

PEARL GRASS CREATIONS LIMITED

5. FINANCE COSTS

	<u>2025</u> US\$	<u>2024</u> US\$
Interest on bank loans and trade financing	<u>878,128</u>	<u>694,940</u>

6. PROFIT BEFORE TAX

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

	<u>2025</u> US\$	<u>2024</u> US\$
Auditor's remuneration	12,000	6,600
Cost of inventories sold	72,940,565	53,338,064
Foreign exchange differences, net	309	5
Directors' remuneration	-	-
Employee benefit expense:		
Salaries and allowances	106,253	78,046
Pension scheme contribution (defined contribution scheme) [#]	4,174	3,905
Total staff costs	<u>110,427</u>	<u>81,951</u>

[#] There are no forfeited contributions that may be used by the Company as the employer to reduce the existing level of contributions.

7. INCOME TAX

Hong Kong Profits Tax has been provided at the rate of 16.5% (2024: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. The Company is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2024: HK\$2,000,000) of assessable profits of the Company are taxed at 8.25% (2024: 8.25%) and the remaining assessable profits are taxed at 16.5% (2024: 16.5%).

	<u>2025</u> US\$	<u>2024</u> US\$
Current		
Charge for the year	914,948	286,988
Overprovision in prior years	-	(21,624)
	<u>914,948</u>	<u>265,364</u>

PEARL GRASS CREATIONS LIMITED

7. INCOME TAX - continued

A reconciliation of the tax expenses applicable to profit before tax at the Hong Kong statutory rate to the tax amount at the effective tax rate is as follows:

	<u>2025</u> US\$	<u>2024</u> US\$
Profit before tax	5,670,016	1,862,634
Tax at the Hong Kong statutory tax rate of 16.5% (2024: 16.5%)	935,553	307,334
Income tax at concessionary rate	(21,208)	(21,208)
Income not subject to tax	(802)	(7)
Expenses not deductible for tax	-	1,255
Tax concession	(193)	(386)
Overprovision in prior years	-	(21,624)
Others	1,598	-
Tax amount at effective rate	914,948	265,364

8. PROPERTY, PLANT AND EQUIPMENT

	<u>Office equipment</u> US\$
At 1 April 2023, 31 March 2024 and 31 March 2025:	
Cost	981
Accumulated depreciation	(981)
Net carrying amount	-

9. INVENTORIES

	<u>2025</u> US\$	<u>2024</u> US\$
Raw materials	1,170,619	1,230,201
Finished goods	-	6,838
	1,170,619	1,237,039

PEARL GRASS CREATIONS LIMITED

10. TRADE RECEIVABLES

	<u>2025</u> US\$	<u>2024</u> US\$
Trade receivables	<u>5,434,158</u>	<u>2,318,427</u>

- (a) The Company's trading terms with its customers are mainly on credit. The credit period is generally 60 days to 90 days. Trade receivables are non-interest-bearing. The Company does not hold any collateral or other credit enhancements over these trade receivables balances. At the end of the reporting period, the Company had concentration of credit risk as 96% (2024: 78.6%) and 100% (2024: 96.7%) of the Company's trade receivables were due from the Company's largest customer and five largest customers, respectively.
- (b) The Company applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9 "Financial Instruments", which permits the use of the lifetime expected loss model for all trade receivables. To measure the expected credit losses, trade receivables have been assessed individually. The expected credit losses have also incorporated forward-looking information. As at 31 March 2025 and 31 March 2024, no loss allowance was recognised as amount involved is insignificant.

Set out below is the information about the credit risk exposure on the Company's trade receivables:

	<u>Current</u> US\$	<u>Past due</u> <u>Less than</u> <u>1 month</u> US\$	<u>1 to 6</u> <u>months</u> US\$	<u>Total</u> US\$
As at 31 March 2025				
Gross carrying amount	<u>5,362,220</u>	<u>64,657</u>	<u>7,281</u>	<u>5,434,158</u>
As at 31 March 2024				
Gross carrying amount	<u>2,316,896</u>	<u>1,531</u>	<u>-</u>	<u>2,318,427</u>

11. BANK BORROWINGS

	<u>2025</u> US\$	<u>2024</u> US\$
Secured import loans	<u>134,302</u>	<u>1,120,867</u>

- (a) The bank facilities are secured by part of the Company's inventories and trade receivables, with corporate guarantee provided by immediate holding company and ultimate holding company and personal guarantee provided by directors of the Company as at 31 March 2024.
- (b) The contractual interest rate of the Company's bank borrowings is at Secured Overnight Financing Rate plus 2.135% per annum.
- (c) The bank borrowings are denominated in United States dollars.

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12. SHARE CAPITAL

	<u>2025</u> US\$	<u>2024</u> US\$
Issued and fully paid:		
400,000 (2024: 400,000) ordinary shares with no par value	<u>400,000</u>	<u>400,000</u>

13. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	<u>Loan from a shareholder</u> US\$	<u>Loan from immediate holding company</u> US\$	<u>Bank borrowings</u> US\$	<u>Total</u> US\$
At 1 April 2023	80,000	320,000	-	400,000
Changes from financing cash flows	(80,000)	(320,000)	1,120,867	720,867
Interest expense	-	-	694,940	694,940
Interest paid classified as operating cash flows	-	-	(694,940)	(694,940)
At 31 March 2024	-	-	1,120,867	1,120,867
Changes from financing cash flows	-	-	(986,565)	(986,565)
Interest expense	-	-	878,128	878,128
Interest paid classified as operating cash flows	-	-	(878,128)	(878,128)
At 31 March 2025	-	-	134,302	134,302

14. RELATED PARTY TRANSACTIONS

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

	<u>Notes</u>	<u>2025</u> US\$	<u>2024</u> US\$
Fellow subsidiaries:			
Purchases	(i)	72,822,356	51,478,971
Management fee	(ii)	660,000	586,000
Ultimate holding company:			
IT system charges	(iii)	<u>43,570</u>	<u>38,082</u>

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14. RELATED PARTY TRANSACTIONS - continued

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

Notes:

- (i) The purchases were based on terms mutually agreed between the parties.
- (ii) Management fees were paid for the management and supporting services provided in the local office by fellow subsidiaries. The fee was charged based on mutually agreed terms.
- (iii) The fee was paid for the management and IT system supporting services provided by the ultimate holding company. The fee was charged based on mutually agreed terms.
- (b) Outstanding balances with related parties
- The balances with fellow subsidiaries and immediate holding company are unsecured, interest-free and repayable on demand.
- The immediate holding company, ultimate holding company and directors of the Company have provided financial guarantees in connection with the banking facilities granted to the Company as disclosed in note 11.
- (c) Loan receivable from a fellow subsidiary
- The loan receivable from a fellow subsidiary is unsecured, interest bearing at 7% per annum and repayable on 2 March 2026.
- (d) The key management personnel of the Company did not receive any compensation in respect of their services rendered to the Company during the year (2024: nil).

15. FINANCIAL INSTRUMENTS BY CATEGORY

The financial assets of the Company comprise trade receivables, amounts due from fellow subsidiaries and immediate holding company, loan receivable from a fellow subsidiary and cash and cash equivalents, which are categorised as financial assets at amortised cost.

The financial liabilities of the Company comprise trade payables, other payables and accruals, amounts due to fellow subsidiaries and bank borrowings, which are categorised as financial liabilities at amortised cost.

The carrying amounts of these financial assets and liabilities are the amounts shown either on the statement of financial position or in notes to the financial statements.

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16. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Management has assessed that the fair values of financial assets and financial liabilities at amortised cost as disclosed in note 15 reasonably approximate to their carrying amounts largely due to the short term maturities of these instruments or the effect of discounting is not material.

The Company did not have any financial assets and liabilities measured at fair value as at 31 March 2025 and 31 March 2024.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit risk

Trade receivables

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

Other financial assets at amortised cost

For the loan receivable from a fellow subsidiary, amounts due from immediate holding company and fellow subsidiaries, no expected credit losses are recognised since the directors of the Company consider that the probability of default is minimal after assessing the counterparties' financial background and creditability.

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

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Company's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2025 and 2024.

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17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Credit risk - continued

Maximum exposure and year-end staging - continued

	12-month expected credit losses	Lifetime expected credit losses			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Simplified</u>	<u>Total</u>
	US\$	US\$	US\$	approach	US\$
				US\$	
31 March 2025					
Trade receivables	-	-	-	5,434,158	5,434,158
Amount due from immediate holding company	3,464,363	-	-	-	3,464,363
Amounts due from fellow subsidiaries	969,413	-	-	-	969,413
Loan receivable from a fellow subsidiary	125,000	-	-	-	125,000
Cash and cash equivalents	1,871,285	-	-	-	1,871,285
	<u>6,430,061</u>	<u>-</u>	<u>-</u>	<u>5,434,158</u>	<u>11,864,219</u>
31 March 2024					
Trade receivables	-	-	-	2,318,427	2,318,427
Other receivables - Normal*	180,484	-	-	-	180,484
Amount due from the immediate holding company	2,232,500	-	-	-	2,232,500
Amounts due from fellow subsidiaries	40,590	-	-	-	40,590
Cash and cash equivalents	824,506	-	-	-	824,506
	<u>3,278,080</u>	<u>-</u>	<u>-</u>	<u>2,318,427</u>	<u>5,596,507</u>

* The credit quality of the financial assets included in other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition.

Interest rate risk

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

As at 31 March 2025, if the interest rates on borrowings had been 100 basis points higher/lower, which was considered reasonably possible by management, with all other variables held constant, the profit before tax for the year would have decreased/increased by US\$1,343 (2024: US\$11,209) as a result of higher/lower interest expenses on bank borrowings with floating interest rates.

Liquidity risk

The Company aims to maintain sufficient cash and credit lines to meet its liquidity requirements. Due to the dynamic business nature, the Company finances its working capital requirements through a combination of funds generated from operations and bank borrowings.

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17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Liquidity risk - continued

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was either repayable on demand or less than one year.

Capital management

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

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Company actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Company. In order to maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2025 and 31 March 2024.

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

18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 9 May 2025.
