

**STS GLOBAL SUPPLY LIMITED**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2023**

信諾中創國際會計師有限公司  
**SINNO INTERNATIONAL CPA LIMITED**  
CERTIFIED PUBLIC ACCOUNTANTS  
HONG KONG

STS GLOBAL SUPPLY LIMITED  
REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2023

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## REPORT ON REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF STS GLOBAL SUPPLY LIMITED

### Introduction

We have reviewed the accompanying consolidated financial statements of STS Global Supply Limited and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 March 2023, 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 a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Hong Kong Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying consolidated financial statements. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our review in accordance with Hong Kong Standard on Review Engagements (HKSRE) 2400 (Revised) - *Engagements to Review Historical Financial Statements*. HKSRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with HKSRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and other within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with Hong Kong Standards on Auditing. Accordingly, we do not express an audit opinion on these consolidated financial statements.



**REPORT ON REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS  
TO THE BOARD OF DIRECTORS OF STS GLOBAL SUPPLY LIMITED**  
Continuation -2-

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that these consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of STS Global Supply Limited and its subsidiaries (the "Group") as at 31 March 2023, and its financial performance and cash flows for the year then ended, in accordance with Hong Kong Financial Reporting Standards.

**Sinnoc International CPA Limited**

Certified Public Accountants (Practising)

LEUNG MAN HANG

Practising Certificate Number: P07634

Hong Kong, 28 June 2023



**STS GLOBAL SUPPLY LIMITED**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2023**

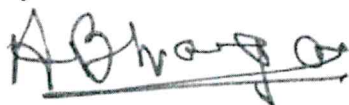
	Notes	2023 HK\$	2022 HK\$
Revenue	4	179,180,192	336,399,073
Cost of sales		<u>(152,303,057)</u>	<u>(284,868,458)</u>
Gross profit		26,877,135	51,530,615
Other income and gains	5	2,783,193	391,823
Administrative expenses		(24,063,932)	(41,376,411)
Other operating expenses	6	(174,421)	(622,329)
Finance costs	7	<u>(165,308)</u>	<u>(409,212)</u>
Profit before tax	6	5,256,667	9,514,486
Income tax expenses	9	<u>(714,976)</u>	<u>(2,648,876)</u>
Profit for the year		4,541,691	6,865,610
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		<u>(2,128,650)</u>	<u>743,303</u>
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		<u>(2,128,650)</u>	<u>743,303</u>
		<u>2,431,041</u>	<u>7,608,913</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

**STS GLOBAL SUPPLY LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2023**

	Notes	2023 HK\$	2022 HK\$
<b>Non-current assets</b>			
Property, plant and equipment	10	772,204	1,372,740
Right-of-use assets	10	72,960	170,236
Prepayments, deposits and other receivables		353,177	503,447
		<u>1,198,341</u>	<u>2,046,423</u>
<b>Current assets</b>			
Inventories	11	12,876,675	13,712,406
Trade receivables		99,434,147	75,376,222
Prepayments, deposits and other receivables		5,737,803	17,986,318
Tax recoverable		1,359,556	3,553,586
Cash and cash equivalents	12	7,525,670	3,865,174
		<u>126,933,851</u>	<u>114,493,706</u>
<b>Current liabilities</b>			
Trade payables		34,823,078	28,315,405
Other payables and accruals		7,726,181	5,075,747
Lease liabilities		75,242	96,042
Tax payable		282,013	165,056
		<u>42,906,514</u>	<u>33,652,250</u>
<b>Net current assets</b>		<u>84,027,337</u>	<u>80,841,456</u>
<b>Non-current liabilities</b>			
Lease liabilities	10	-	75,242
<b>NET ASSETS</b>		<u>85,225,678</u>	<u>82,812,637</u>
<b>Equity</b>			
Share capital	13	8,750,000	8,750,000
Share premium		7,950,000	7,950,000
Statutory reserves		836,248	836,248
Translation reserves		(1,207,448)	921,202
Retained profits		68,896,878	64,355,187
		<u>85,225,678</u>	<u>82,812,637</u>

Approved by:



Ashutosh Bhargava  
Director

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

**STS GLOBAL SUPPLY LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2023**

	Share capital HK\$	Share premium HK\$	Statutory reserves HK\$	Translation reserves HK\$	Retained profits HK\$	Total equity HK\$
At 1 April 2021	8,750,000	7,950,000	-	177,899	58,325,825	75,203,724
Transfer to statutory reserves	-	-	836,248	-	(836,248)	-
Profit for the year and total comprehensive income for the year	-	-	-	743,303	6,865,610	7,608,913
At 31 March 2022 and 1 April 2022	8,750,000	7,950,000	836,248	921,202	64,355,187	82,812,637
Profit for the year and total comprehensive loss for the year	-	-	-	(2,128,650)	4,541,691	2,413,041
At 31 March 2023	<u>8,750,000</u>	<u>7,950,000</u>	<u>836,248</u>	<u>(1,207,448)</u>	<u>68,896,878</u>	<u>85,225,678</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

**STS GLOBAL SUPPLY LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

	Notes	2023 HK\$	2022 HK\$
<b>Cash flows from operating activities</b>			
Profit before tax		5,256,667	6,865,610
Adjustment for:			
Interest expense on lease liabilities	7	5,958	8,765
Interest paid	7	5,525	5,302
Interest income	5	(4,811)	(2,734)
Depreciation of right-of-use assets	6	97,276	299,746
Depreciation of property, plant and equipment	6	586,462	745,858
Impairment loss recognised in respect of trade receivables	6	174,421	622,329
		<u>6,121,498</u>	<u>8,544,876</u>
Changes in working capital:			
Inventories		744,426	3,758,424
Trade receivables		(25,930,404)	(21,233,731)
Prepayments, deposits and other receivables		11,279,222	9,651,402
Trade payables		7,614,004	1,476,381
Other payables and accruals		2,818,313	(2,254,348)
Cash generated from/(used in) operations		<u>2,647,059</u>	<u>(56,996)</u>
Tax refund/(paid)		1,360,549	(610,625)
<b>Net cash flows from/(used in) operating activities</b>		<u>4,007,608</u>	<u>(667,621)</u>
<b>Cash flows from investing activities</b>			
Interest received	5	4,811	2,734
Purchase of plant and equipment	10	(32,189)	(623,736)
<b>Net cash flows used in investing activities</b>		<u>(27,378)</u>	<u>(621,002)</u>
<b>Cash flows from financing activities</b>			
Interest paid	7	(5,525)	(5,302)
Repayment of principal portion of the lease liabilities		(96,042)	(306,735)
Interest element on lease liabilities	7	(5,958)	(8,765)
Repayment of bank borrowing		-	(55,206)
<b>Net cash flows generated from financing activities</b>		<u>(107,525)</u>	<u>(376,008)</u>
<b>Net increase in cash and cash equivalents</b>		<u>3,872,705</u>	<u>(1,664,631)</u>
Cash and cash equivalents at beginning of year		3,865,174	4,786,502
Effect of foreign exchange rate changes, net		(212,209)	743,303
<b>Cash and cash equivalents at end of year</b>		<u>7,525,670</u>	<u>3,865,174</u>
<b>Analysis of cash and cash equivalents</b>			
Cash and bank balances	12	<u>7,525,670</u>	<u>3,865,174</u>

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these financial statements.

**STS GLOBAL SUPPLY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**1. Corporate and group information**

STS Global Supply Limited (Formerly known as STS Gems Limited) is a limited liability Group incorporated in Hong Kong. Its registered office is located at Unit E-05, 8/F., Phase 2, Hang Fung Industrial Building, No. 2G, Hok Yuen Street, Hunghom, Kowloon, Hong Kong. The Company's principal activities during the year are trading of semi-precious, precious stones and contracted manufacturing of jewelry and non-jewelry products.

In the opinion of the directors, the Group's immediate holding company is Vaibhav Global Limited, a company incorporated in India and listed on National Stock Exchange of India Limited (NSE).

Information about subsidiaries

Particulars of the Group's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Group		Principal activities
			Direct	Indirect	
PT. STS Bali	Indonesia	US\$ 100,000	100	-	General trading
STS (Guangzhou) Trading Limited	PRC	US\$ 200,000	100	-	General trading

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

**2.2 Basis of preparation**

These financial statements have been prepared under the historical cost convention. These financial statements are presented in Hong Kong Dollars (HK\$).

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

**STS GLOBAL SUPPLY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**2.2 Basis of preparation (continued)**

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

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

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

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

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

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

**2.3 Changes in accounting policies and disclosures**

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements, which are applicable to the Group.

Annual Improvements Project	Annual Improvements to HKFRSs 2018-2020 (amendments)
HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments (amendments)
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The adoption of the above new and revised standards has had no significant financial effect on these financial statements.



**STS GLOBAL SUPPLY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**2.4 Issued but not yet effective Hong Kong Financial Reporting Standards**

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2023 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

**2.5 Summary of significant accounting policies**

Business combinations

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

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

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

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

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

**STS GLOBAL SUPPLY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**2.5 Summary of significant accounting policies (Continued)**

Fair value measurement (Continued)

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

Related parties

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

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

Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

**STS GLOBAL SUPPLY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**2.5 Summary of significant accounting policies (Continued)**

Property, plant and equipment and depreciation (Continued)

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

*Owned assets*

Furniture, Fixtures & Equipment	20%
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*Right-of-use asset*

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

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

Impairment of non-financial assets

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

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

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

**STS GLOBAL SUPPLY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**2.5 Summary of significant accounting policies (Continued)**

Leases

*Lessee*

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those 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 leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Financial assets

All the other financial assets are initially recognised at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss. Regular way purchases and sales of financial assets are recognised on the trade date, that is, the date when the Group commits to purchase or sell the assets.

(a) Classification and measurement

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

(b) Impairment

The Group applies the expected credit loss model on all the financial assets that are subject to impairment, financial guarantee contracts, contract assets under HKFRS 15 and lease receivables under HKFRS 16. For trade receivables and contract assets without a significant financial component, the Group applies the simplified approach which requires impairment allowances to be measured at lifetime expected credit losses.



**STS GLOBAL SUPPLY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**2.5 Summary of significant accounting policies (Continued)**

Financial assets (Continued)

**(b) Impairment (Continued)**

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

The Group considers a default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more appropriate default criterion should be applied.

**(c) Derecognition**

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

Financial liabilities

Financial liabilities include bank and other borrowings, trade payables, other payables, accruals and other monetary liabilities. They 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Income tax

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

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

**STS GLOBAL SUPPLY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2023**

**2.5 Summary of significant accounting policies (Continued)**

Income tax (Continued)

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

Deferred tax liabilities are provided in full on all taxable temporary differences while deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are also recognised for the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the carryforward of unused tax credits and unused tax losses can be utilised.

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

Revenue recognition

*Revenue from contracts 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.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to be that which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

(a) Sale of goods

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

*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.



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**2.5 Summary of significant accounting policies (Continued)**

Government grants

Government grants are recognised as income over periods necessary to match them with the related costs they are intended to compensate, on a systematic basis when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group, with no future related costs, is recognised as income of the period in which it becomes receivable. Government grants related to assets are presented in the statement of financial position by setting up the grant as deferred income. Government grants received before the revenue recognition criteria are recognised as a liability.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired, less bank overdrafts.

Borrowing costs

Borrowing costs are expensed in the statement of profit or loss in the year in which they are incurred, except to the extent that they are capitalised as the costs directly attributable to the financing of the construction of a qualifying asset. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

Employee benefits

*Retirement benefit costs*

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

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Group using the exchange rates prevailing at the dates of the transactions. Exchange differences arising from the settlement of such transactions and from the retranslation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss.

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**3. Significant accounting judgments and estimates**

Judgments

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.

(a) Revenue recognition

The Group applies judgements in determining the amount and timing of revenue arising from the sale of jewelry and non-jewelry products. The Group concluded that revenue is recognised at the point in time when the control over the products is transferred to the customers, that is, when the customers obtain the physical possession or the legal title of the products and the Group has the present right of payment and the collection of the consideration is probable.

(b) Income taxes

Significant judgements on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

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 and liabilities within the next financial year, are described below.

(a) Impairment of property, plant and equipment

Items of property, plant and equipment are tested for impairment if there is any indication that the carrying value of these assets may not be recoverable and the assets are subject to an impairment loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the relevant cash-generating unit and a suitable discount rate is used in order to calculate the present value.

(b) Impairment of trade receivables and other receivables

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

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**4. Revenue**

An analysis of revenue is as follows:

	2023 HK\$	2022 HK\$
Revenue from contracts with customers	<u>179,180,192</u>	<u>336,399,073</u>

(a) Disaggregated revenue information for revenue from contracts with customers

	2023 HK\$	2022 HK\$
<b>Types of goods or services</b>		
Sale of jewelry products	<u>179,180,192</u>	<u>336,399,073</u>
Total revenue from contracts with customers	<u>179,180,192</u>	<u>336,399,073</u>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	<u>179,180,192</u>	<u>336,399,073</u>
Total revenue from contracts with customers	<u>179,180,192</u>	<u>336,399,073</u>

(a) Performance obligations

*Sale of jewelry products*

The performance obligation is satisfied upon delivery of the jewelry products and payment is generally due within 90 days from delivery.

**5. Other income and gains**

Other income and gains include the following:

	2023 HK\$	2022 HK\$
Bank interest income	4,811	2,734
Commission received	1,411,652	349,124
Public subsidy	58,671	-
Sundry income	<u>1,308,059</u>	<u>39,965</u>
	<u>2,783,193</u>	<u>391,823</u>

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**6. Profit before tax**

The Group's profit before tax is arrived at after charging:

	2023 HK\$	2022 HK\$
Cost of inventories sold	145,265,105	284,868,458
Auditor's remuneration	321,007	166,724
Depreciation of right-of-use assets	97,276	299,746
Depreciation of property, plant and equipment	586,462	745,858
Lease payments not included in the measurement of lease liabilities	1,226,123	1,257,120
Staff costs (excluding directors' remuneration (note 8)):		
Wages and salaries	13,453,222	21,953,755
Pension scheme contributions	649,014	875,016
	<u>14,102,236</u>	<u>22,828,771</u>
Impairment loss on trade receivables	174,421	622,329
Foreign exchange difference, net	<u>(308,365)</u>	<u>3,096,233</u>

**7. Finance costs**

	2023 HK\$	2022 HK\$
Bank charges	153,825	395,145
Interest paid	5,525	5,302
Interest on lease liabilities	5,958	8,765
	<u>165,308</u>	<u>409,212</u>

**8. Directors' remuneration**

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

	2023 HK\$	2022 HK\$
Fees	78,000	-
Other emoluments	-	-
	<u>78,000</u>	<u>-</u>

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**9. Income tax expenses**

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2022: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (Or jurisdictions) in which the Group operates.

	2023 HK\$	2022 HK\$
Current - Hong Kong		
Charge for the year	-	-
Current - Overseas		
Charge for the year	508,774	2,633,832
Underprovision in prior years	206,202	15,044
Tax charge for the year	<u>714,976</u>	<u>2,648,876</u>

**10. Property, plant and equipment and lease liabilities**

	Right of use assets Building HK\$	Owned assets Furniture, Fixtures & Equipment HK\$	Total HK\$
<i>31 March 2023</i>			
At 31 March 2022 and 1 April 2022			
Cost	855,579	6,541,127	7,396,706
Accumulated depreciation	<u>(685,343)</u>	<u>(5,168,387)</u>	<u>(5,853,730)</u>
Net carrying amount	<u>170,236</u>	<u>1,372,740</u>	<u>1,542,976</u>
At 1 April 2022, net of accumulated depreciation	170,236	1,372,740	1,542,976
Depreciation provided during the year (note 6)	(97,276)	(586,462)	(683,738)
Addition during the year	-	32,189	32,189
Exchange realignment	-	(46,263)	(46,263)
At 31 March 2023 net of accumulated depreciation	<u>72,960</u>	<u>772,204</u>	<u>845,164</u>
At 31 March 2023			
Cost	855,578	6,580,126	7,435,704
Accumulated depreciation	<u>(782,618)</u>	<u>(5,807,922)</u>	<u>(6,590,540)</u>
Net carrying amount	<u>72,960</u>	<u>772,204</u>	<u>845,164</u>

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**10. Property, plant and equipment and lease liabilities (Continued)**

	Right of use assets Building	Owened assets Furniture, Fixtures & Equipment	Total
	HK\$	HK\$	HK\$
<i>31 March 2022</i>			
At 31 March 2021 and 1 April 2021			
Cost	661,023	5,917,391	6,578,414
Accumulated depreciation	(385,597)	(4,422,529)	(4,808,126)
Net carrying amount	275,426	1,494,862	1,770,288
At 1 April 2021, net of accumulated depreciation	275,426	1,494,862	1,770,288
Depreciation provided during the year (note 6)	(299,746)	(745,858)	(1,045,604)
Addition during the year	194,556	623,736	818,292
At 31 March 2022 net of accumulated depreciation	170,236	1,372,740	1,542,976
At 31 March 2022			
Cost	855,579	6,541,127	7,396,706
Accumulated depreciation	(685,343)	(5,168,387)	(5,853,730)
Net carrying amount	170,236	1,372,740	1,542,976

Notes:

The Group leases an office used in its operations. Leases for the asset is negotiated for term of two years and all lease payments are fixed.

Maturity profile of lease liabilities as at 31 March 2023

	2023 HK\$	2022 HK\$
Within one year	76,500	102,000
After one year but within five years	-	76,500
Lease liabilities (undiscounted)	76,500	178,500
Discount amount	(1,258)	(7,216)
Lease liabilities (discounted)	75,242	171,284
Current	75,242	96,042
Non-current	-	75,242

The weighted average incremental borrowing rate applied to the lease liabilities recognised at 31 March 2023 was 5% (2022: 5%).



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**10. Property, plant and equipment and lease liabilities (Continued)**

Movements of carrying amounts of lease liabilities as at 31 March 2023 and 31 March 2022

	HK\$
At 1 April 2021	283,463
Additions	194,556
Accretion of interest	8,765
Payments	(315,500)
At 1 April 2022:	171,284
Accretion of interest	5,958
Payments	(102,000)
	<u>75,242</u>

Amount recognised in the statement of profit or loss for the year ended 31 March 2023 and 2022

	2023 HK\$	2022 HK\$
Depreciation expense of right-of-use asset	97,276	299,746
Interest expense on lease liabilities	5,958	8,765
Expense relating to short-term leases (included in administrative expense)	<u>1,226,123</u>	<u>1,257,120</u>
	<u>1,329,357</u>	<u>1,565,631</u>

The Group had total cash outflows for leases of HK\$1,328,123 in 2023 (2022: HK\$1,572,620).

**11. Inventories**

	2023 HK\$	2022 HK\$
Inventories comprise entirely of stock in trade	<u>12,876,675</u>	<u>13,712,406</u>

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**12. Cash and cash equivalents**

	2023 HK\$	2022 HK\$
Cash and bank balances	7,525,670	3,865,174
Cash and cash equivalents	<u>7,525,670</u>	<u>3,865,174</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank balances are deposited with creditworthy banks with no recent history of default. Short term time deposits are made for varying periods of between three months and six months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

**13. Share capital**

	2023 HK\$	2022 HK\$
Issued and fully paid: 87,500 ordinary shares	<u>8,750,000</u>	<u>8,750,000</u>

**14. Notes to the statement of cash flows**

Reconciliation of liabilities arising from financing activities

	Lease liabilities HK\$
At 1 April 2021	283,463
New lease	194,556
Cash flows	(306,735)
Finance charges on lease liabilities	8,765
Interest on lease liabilities	(8,765)
At 31 March 2022 and 1 April 2022	<u>171,284</u>
Cash flows	(96,042)
Finance charges on lease liabilities	5,958
Interest on lease liabilities	(5,958)
At 31 March 2023	<u>75,242</u>

**15. Approval of financial statements**

These financial statements were authorised for issue by the Group's Directors on 28 June 2023.