

STS GLOBAL SUPPLY LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

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
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

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REPORT ON REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS TO THE SOLE DIRECTOR OF STS GLOBAL SUPPLY LIMITED

Introduction

We have reviewed the accompanying consolidated financial statements of STS Global Supply Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 March 2024, 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 material accounting policy information 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 consolidated 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 others 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 SOLE DIRECTOR 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 the Group as at 31 March 2024, and its financial performance and cash flows for the year then ended, in accordance with Hong Kong Financial Reporting Standards.

Sinno International CPA Limited

Certified Public Accountants (Practising)

LEUNG MAN HANG

Practising Certificate Number: P07634

Hong Kong, 11 June 2024

STS GLOBAL SUPPLY LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2024

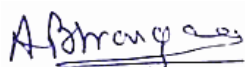
	Notes	2024 HK\$	2023 HK\$
Revenue	4	261,422,933	179,180,192
Cost of sales		<u>(233,100,461)</u>	<u>(152,303,057)</u>
Gross profit		28,322,472	26,877,135
Other income and gains	5	9,482,308	2,783,193
Administrative expenses		(21,417,215)	(24,063,932)
Other operating expenses		-	(174,421)
Finance costs	7	<u>(137,070)</u>	<u>(165,308)</u>
Profit before tax	6	16,250,495	5,256,667
Income tax expenses	9	<u>(1,939,909)</u>	<u>(714,976)</u>
Profit for the year		<u><u>14,310,586</u></u>	<u><u>4,541,691</u></u>
OTHER COMPREHENSIVE LOSS			
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		<u>(1,502,615)</u>	<u>(2,128,650)</u>
Total comprehensive income for the year		<u><u>12,807,971</u></u>	<u><u>2,431,041</u></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 2024

	Notes	2024 HK\$	2023 HK\$
Non-current assets			
Property, plant and equipment	10	396,797	772,204
Right-of-use assets	11	240,334	72,960
Prepayments, deposits and other receivables		<u>228,676</u>	<u>353,177</u>
		<u>865,807</u>	<u>1,198,341</u>
Current assets			
Inventories	12	12,044,917	12,876,675
Trade receivables	13	126,594,998	99,434,147
Prepayments, deposits and other receivables		5,992,479	5,737,803
Tax recoverable		-	1,359,556
Cash and cash equivalents	14	<u>8,049,493</u>	<u>7,525,670</u>
		<u>152,681,887</u>	<u>126,933,851</u>
Current liabilities			
Trade payables		52,328,293	34,823,078
Accruals and other payables		1,976,941	7,726,181
Lease liabilities	11	135,587	75,242
Tax payable		<u>966,999</u>	<u>282,013</u>
		<u>55,407,820</u>	<u>42,906,514</u>
Net current assets		<u>97,274,067</u>	<u>84,027,337</u>
Non-current liability			
Lease liabilities	11	<u>106,225</u>	<u>-</u>
NET ASSETS		<u>98,033,649</u>	<u>85,225,678</u>
Equity			
Share capital	15	8,750,000	8,750,000
Share premium		7,950,000	7,950,000
Statutory reserves		836,248	836,248
Exchange fluctuation reserves		(2,710,063)	(1,207,448)
Retained profits		<u>83,207,464</u>	<u>68,896,878</u>
		<u>98,033,649</u>	<u>85,225,678</u>

Approved by:



Ashutosh Bhargava
Sole 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 2024

	Share capital HK\$	Share premium HK\$	Statutory reserves HK\$	Exchange fluctuation reserves HK\$	Retained profits HK\$	Total equity HK\$
At 1 April 2022	8,750,000	7,950,000	836,248	921,202	64,355,187	82,812,637
Profit and total comprehensive income 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>
Profit and total comprehensive income for the year	-	-	-	(1,502,615)	14,310,586	12,807,971
At 31 March 2024	<u>8,750,000</u>	<u>7,950,000</u>	<u>836,248</u>	<u>(2,710,063)</u>	<u>83,207,464</u>	<u>98,033,649</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 2024

	Notes	2024 HK\$	2023 HK\$
Cash flows from operating activities			
Profit before tax		16,250,495	5,256,667
Adjustments for:			
Interest expense on lease liabilities	7	4,404	5,958
Interest paid	7	3,984	5,525
Interest income	5	(24,021)	(4,811)
Depreciation of right-of-use assets	6	107,292	97,276
Depreciation of property, plant and equipment	6	377,341	586,462
(Reversal of)/Impairment loss on trade receivables	6	<u>(40,321)</u>	<u>174,421</u>
		16,679,174	6,121,498
Changes in working capital:			
Inventories		639,305	744,426
Trade receivables		(28,680,045)	(25,930,404)
Prepayments, deposits and other receivables		(258,223)	11,279,222
Trade payables		18,011,894	7,614,004
Accruals and other payables		<u>(5,612,230)</u>	<u>2,818,313</u>
Cash generated from operations		779,875	2,647,059
Tax refunded		<u>69,365</u>	<u>1,360,549</u>
Net cash flows generated from operating activities		<u>849,240</u>	<u>4,007,608</u>
Cash flows from investing activities			
Interest received	5	24,021	4,811
Purchase of plant and equipment	10	<u>(20,716)</u>	<u>(32,189)</u>
Net cash flows generate from/(used in) investing activities		<u>3,305</u>	<u>(27,378)</u>
Cash flows from financing activities			
Interest paid	7	(3,984)	(5,525)
Repayment of principal portion of the lease liabilities		(4,404)	(96,042)
Interest element on lease liabilities	7	<u>(108,096)</u>	<u>(5,958)</u>
Net cash flows generated from financing activities		<u>(116,484)</u>	<u>(107,525)</u>
Net increase in cash and cash equivalents		736,061	3,872,705
Cash and cash equivalents at beginning of year		7,525,670	3,865,174
Effect of foreign exchange rate changes, net		<u>(212,238)</u>	<u>(212,209)</u>
Cash and cash equivalents at end of year		<u>8,049,493</u>	<u>7,525,670</u>
Analysis of cash and cash equivalents			
Cash and bank balances	14	<u>8,049,493</u>	<u>7,525,670</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 2024

1. Corporate and group information

STS Global Supply Limited (the "Company") is a limited liability company 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, Hung Hom, Kowloon, Hong Kong. The Company's principal activities during the year were trading of semi-precious, precious stones and contracted manufacturing of jewelry and non-jewelry products.

During the year, the Company's subsidiaries were principally engaged in general trading.

In the opinion of the sole director, the Company'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 Company's principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration and business	Registered share capital	Percentage of equity attributable to the Company		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 Company which, in the opinion of the sole director, 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 sole director, result in particulars of excessive length.

2.1 Basis of preparation

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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention and presented in Hong Kong Dollars ("HK\$"), except when otherwise indicated.

These financial statements have been prepared on the going concern basis which assumes, inter alia, the realisation of assets and satisfaction of liabilities in the normal course of business.

STS GLOBAL SUPPLY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

2.1 Basis of preparation (continued)

Basis of consolidation and preparation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. 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 (e.g., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company 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 Company, 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.

STS GLOBAL SUPPLY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

2.2 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.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform - Pillar Two Model Rules</i>

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

2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following revised HKFRSs, which have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ³
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> ¹
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> ^{1,4}
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> ^{1,4}
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i> ¹
Amendments to HKAS 21	<i>Lack of Exchangeability</i> ²

¹ Effective for annual periods beginning on or after 1 January 2024

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

³ No mandatory effective date yet determined but available for adoption

⁴ As a consequence of the 2020 and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

STS GLOBAL SUPPLY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

2.4 Material 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. 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.

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

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.

STS GLOBAL SUPPLY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

2.4 Material accounting policies (continued)

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; (*If the Group is itself such a plan*) and the sponsoring employers of the post-employment benefit plan;
- (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

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. 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 recognises 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 2024

2.4 Material accounting policies (continued)

Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the 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 rate used for this purpose is as follows:

Furniture, fixtures and equipment	20% per annum
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Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including 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 on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial 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 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 in the period in which it arises.

STS GLOBAL SUPPLY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

2.4 Material accounting policies (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold properties

Over the lease term

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. 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 a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments or a change in assessment of an option to purchase the underlying asset.

STS GLOBAL SUPPLY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

2.4 Material accounting policies (continued)

Leases (continued)

Group as a lessee (continued)

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of leasehold buildings (that is 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.

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.

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.

STS GLOBAL SUPPLY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

2.4 Material accounting policies (continued)

Financial assets (continued)

(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 and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overhead. Net realisable value is based on estimated selling prices less any estimated cost to be incurred to completion and disposal.

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 jurisdictions in which the Group operates.

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

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

STS GLOBAL SUPPLY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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2.4 Material accounting policies (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and 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 deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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 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.

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NOTES TO THE FINANCIAL STATEMENTS
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2.4 Material accounting policies (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

- (a) 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.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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NOTES TO THE FINANCIAL STATEMENTS
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2.4 Material accounting policies (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Employee benefits

Salaries, bonuses and other allowances are accrued and recognised as an expense in the year in which the associated services are rendered by employees of the Group.

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

These financial statements are presented in Hong Kong Dollars (HK\$), which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

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NOTES TO THE FINANCIAL STATEMENTS
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2.4 Material accounting policies (continued)

Foreign currencies (continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than HK\$. As at the end of the reporting period, the assets and liabilities of these entities are translated into HK\$ at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into HK\$ at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into HK\$ at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into HK\$ at the weighted average exchange rates for the year.

3. Significant accounting judgments and estimates

The preparation of the Group'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.

Judgment

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) Determining the timing of satisfaction of performance obligations

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.

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3. Significant accounting judgments and estimates (continued)

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) Provision for expected credit losses on trade and other receivables

The Group uses a provision matrix to calculate ECLs for trade and other. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (e.g., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in certain sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

(c) Lease - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

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3. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

(d) Income tax

Various judgements are required in determining the provision for income tax. During the ordinary course of business, there are transactions for which calculation of the ultimate tax determination is uncertain. Where the final tax outcome is different from the initially recorded amount, the difference will impact the income tax and deferred tax provisions in the year of determination.

4. Revenue

An analysis of revenue is as follows:

	2024 HK\$	2023 HK\$
Revenue from contracts with customers	<u>261,422,933</u>	<u>179,180,192</u>

Revenue from contracts with customers

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

	2024 HK\$	2023 HK\$
Types of goods or services		
Sale of jewelry products	<u>261,422,933</u>	<u>179,180,192</u>
Total revenue from contracts with customers	<u>261,422,933</u>	<u>179,180,192</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>261,422,933</u>	<u>179,180,192</u>
Total revenue from contracts with customers	<u>261,422,933</u>	<u>179,180,192</u>

(b) 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.

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5. Other income and gains

Other income and gains include the following:

	2024 HK\$	2023 HK\$
Bank interest income	24,021	4,811
Commission received	-	1,411,652
Public subsidy	-	58,671
Foreign exchange gains, net	1,787,965	-
Fright and handling income	5,204,496	-
Reversal of impairment loss on trade receivables	40,321	-
Sundry income	<u>2,425,505</u>	<u>1,308,059</u>
	<u>9,482,308</u>	<u>2,783,193</u>

6. Profit before tax

The Group's profit before tax is arrived at after charging/(crediting):

	2024 HK\$	(Restated) 2023 HK\$
Cost of inventories sold	233,100,461	145,265,105
Auditor's remuneration	191,304	321,007
Depreciation of right-of-use assets	107,292	97,276
Depreciation of property, plant and equipment	377,341	586,462
Depreciation on long-term deferred expenses	119,952	116,347
Lease payments not included in the measurement of lease liabilities	112,500	1,226,123
Staff costs (excluding director's remuneration (note 8)):		
Wages and salaries	13,956,238	13,453,222
Pension scheme contributions	<u>714,979</u>	<u>649,014</u>
	<u>247,845,136</u>	<u>14,102,236</u>
Impairment loss on trade receivables	-	174,421
Foreign exchange differences, net	<u>(1,787,965)</u>	<u>308,365</u>

7. Finance costs

	2024 HK\$	2023 HK\$
Bank charges	128,682	153,825
Interest paid	3,984	5,525
Interest on lease liabilities	<u>4,404</u>	<u>5,958</u>
	<u>137,070</u>	<u>165,308</u>

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8. Director's remuneration

Director's 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:

	2024 HK\$	2023 HK\$
Fees	78,110	78,000
Other emoluments	-	-
	<u>78,110</u>	<u>78,000</u>

9. Income tax expenses

No provision for Hong Kong Profits Tax has been made as the Company had sufficient unused tax loss brought forward to offset against the assessable profits during the year (2023: same).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries (or jurisdictions) in which the Group operates.

	2024 HK\$	2023 HK\$
Current - Hong Kong		
Charge for the year	-	-
Current - Overseas		
Charge for the year	1,930,256	508,774
Under-provision in prior years	9,653	206,202
Tax charge for the year	<u>1,939,909</u>	<u>714,976</u>

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10. Property, plant and equipment

	Furniture, Fixture and office equipment HK\$
31 March 2024	
<u>Cost:</u>	
At 1 April 2023	6,580,126
Additions	20,716
Exchange realignment	(54,790)
At 31 March 2024	<u>6,546,052</u>
<u>Accumulated depreciation and impairment losses:</u>	
At 1 April 2023	5,807,922
Charge for the year (note 6)	377,341
Exchange realignment	(36,008)
At 31 March 2024	<u>6,149,255</u>
<u>Net carrying amount:</u>	
At 31 March 2024	<u>396,797</u>
At 31 March 2023	<u>772,204</u>
31 March 2023	
<u>Cost:</u>	
At 1 April 2022	6,541,127
Additions	32,189
Exchange realignment	6,810
At 31 March 2023	<u>6,580,126</u>
<u>Accumulated depreciation and impairment losses:</u>	
At 1 April 2022	5,168,387
Charge for the year (note 6)	586,462
Exchange realignment	53,073
At 31 March 2023	<u>5,807,922</u>
<u>Net carrying amount:</u>	
At 31 March 2023	<u>772,204</u>
At 31 March 2022	<u>1,372,740</u>

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11. Leases

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold properties HK\$
31 March 2024	
<u>Cost:</u>	
At 1 April 2023	855,579
Additions	274,666
Disposals	(855,579)
At 31 March 2024	<u>274,666</u>
<u>Accumulated depreciation and impairment losses:</u>	
At 1 April 2023	782,619
Charge for the year (note 8)	107,292
Written-back on disposals	(855,579)
At 31 March 2024	<u>34,332</u>
<u>Net carrying amount:</u>	
At 31 March 2024	<u>240,334</u>
At 31 March 2023	<u>72,960</u>
31 March 2023	
<u>Cost:</u>	
At 1 April 2022 and at 1 March 2023	<u>855,579</u>
<u>Accumulated depreciation and impairment losses:</u>	
At 1 April 2022	685,343
Charge for the year (note 6)	97,276
At 31 March 2023	<u>782,619</u>
<u>Net carrying amount:</u>	
At 31 March 2023	<u>72,960</u>
At 31 March 2022	<u>170,236</u>

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11. Leases (continued)

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024 HK\$	2023 HK\$
Carrying amount at beginning of the year	75,242	171,284
Additions	274,666	-
Accretion of interest recognised during the year	4,404	5,958
Lease payments	(112,500)	(102,000)
Carrying amount at end of the year	241,812	<u>75,242</u>
Analysed into:		
Current portion	135,587	75,242
Non-current portion	106,225	<u>-</u>

The amounts recognised in profit or loss in relation to leases are as follows:

	2024 HK\$	2023 HK\$
Interest on lease liabilities (note 7)	4,404	5,958
Depreciation on right-of-use assets (note 6)	107,292	97,276
Expenses relating to short-term leases	<u>468,476</u>	<u>661,047</u>
Total amounts recognised in profit or loss	<u><u>580,172</u></u>	<u><u>764,281</u></u>

12. Inventories

	2023 HK\$	2023 HK\$
Inventories comprise entirely of stock in trade	<u>12,044,917</u>	<u>12,876,675</u>

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13. Trade receivables

	2024 HK\$	2023 HK\$
Trade receivables	129,535,307	102,414,777
Less: impairment	<u>(2,940,309)</u>	<u>(2,980,630)</u>
	<u>126,594,998</u>	<u>99,434,147</u>

The Group's credit period with customers is generally 60 days. The Group reviews trade receivable balances regularly to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

The movements in the loss allowance for impairment of trade and other receivables are as follows:

	2024 HK\$	2023 HK\$
At beginning of year	2,980,630	2,806,209
(Reversal of) /provision for impairment losses, net	<u>(40,321)</u>	<u>174,421</u>
At end of year	<u>2,940,309</u>	<u>2,980,630</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on invoice dates for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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14. Cash and cash equivalents

	2024 HK\$	2023 HK\$
Cash and bank balances	<u>8,049,493</u>	<u>7,525,670</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.

15. Share capital

	2024 HK\$	2023 HK\$
Issued and fully paid: 87,500 ordinary shares	<u>8,750,000</u>	<u>8,750,000</u>

16. Comparative figures

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

17. Approval of financial statements

These financial statements were approved and authorised for issue by the Company's Sole Director on 11 June 2024.