STERLING GROUP
HOLDINGS LIMITED
美臻集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1825

Interim Report 2018

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Wong Mei Wai Alice
Mr. Siu Yik Ming
Mr. Chung Sam Kwok Wai

NON-EXECUTIVE DIRECTOR

Mr. Choi Siu Wai William *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kee Huen Michael
Mr. Cheng King Hoi Andrew
Mr. Ko Ming Tung Edward

COMPANY SECRETARY

Mr. Leung Kin Chuen

AUDIT COMMITTEE

Mr. Chan Kee Huen Michael *(Chairman)*
Mr. Cheng King Hoi Andrew
Mr. Ko Ming Tung Edward

REMUNERATION COMMITTEE

Mr. Ko Ming Tung Edward *(Chairman)*
Ms. Wong Mei Wai Alice
Mr. Choi Siu Wai William
Mr. Chan Kee Huen Michael
Mr. Cheng King Hoi Andrew

NOMINATION COMMITTEE

Mr. Choi Siu Wai William *(Chairman)*
Ms. Wong Mei Wai Alice
Mr. Chan Kee Huen Michael
Mr. Cheng King Hoi Andrew
Mr. Ko Ming Tung Edward

AUTHORISED REPRESENTATIVES

Mr. Chung Sam Kwok Wai
Mr. Siu Yik Ming

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY WEBSITE

http://www.sterlingapparel.com.hk

AUDITORS

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPLIANCE ADVISOR

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Two Chinachem Plaza
135 Des Voeux Road
Central
Hong Kong

LEGAL ADVISOR

Michael Li & Co.
19th Floor, Prosperity Tower
No. 39 Queen's Road Central
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Hong Kong

STOCK CODE

01825

PRINCIPAL BANKS

Standard Chartered Bank (Hong Kong) Limited
12th Floor, Standard Chartered Bank Building
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Hong Kong

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HSBC Main Building
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Central
Hong Kong

OCBC Wing Hang Bank Limited
161 Queen's Road
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Hong Kong

Hang Seng Bank
83 Des Voeux Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

FINANCIAL HIGHLIGHTS

	For the six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Revenue	**357,666**	336,303
Gross profit	**59,165**	57,690
Gross profit margin	**16.5%**	17.2%
Profit before income tax expense	**4,408**	3,889
Profit attributable to owners of the Company	**3,118**	213
EARNINGS PER SHARE		
– Basic *(HK cents)*	**0.52**	0.04
EBITDA (unaudited)*	**14,630**	12,687

* *EBITDA represents the profit before income tax expense, adding back finance costs, depreciation and amortisation of payment for leasehold land held for own use under operating lease. The use of EBITDA has certain limitations because it does not reflect all items of income and expenses that affect the operations. The term EBITDA is not defined under the Hong Kong Financial Reporting Standards ("HKFRS"), and EBITDA is not a measure of profit and total comprehensive income or liquidity presented in accordance with HKFRS.*

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY BACKGROUND

Sterling Group Holdings Limited (the "Company") together with its subsidiaries (the "Group") is an apparel manufacturer headquartered in Hong Kong providing a one-stop apparel manufacturing solution for its customers. The Group manufactures a wide range of apparel products such as outerwear, bottoms, tops and other products. The majority of the customers are international apparel brands that are headquartered in the U.S. and certain European countries such as the U.K. with their products sold around the world. In particular, the Group has established a long standing relationship with its largest customer who is an international apparel brand headquartered in the U.S. since the 1990s. In recent years, the Group has actively diversified its customer base and product portfolio. The Group secured two new major customers, including an American retailer of casual wear based in the mid-west of the U.S. in 2015 and a well-known U.K. luxury brand in 2016. Furthermore, since 2016, the Group collaborated with the above-mentioned American retailer to supply flight crew uniforms for a U.S. airline.

As at 30 September 2018, the Group owned three production facilities; one located in the PRC and two in Sri Lanka.

The Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK") on 19 October 2018 (the "Listing"). The Listing represents an important milestone to the Group and will greatly benefit the Group's further development in the future.

BUSINESS REVIEW

In the six months ended 30 September 2018 (the "Review Period"), Sino-U.S. trade war intensified and the U.S. government proposed a 25% levy on certain PRC imported products. Since the Group's apparel products do not belong to the categories of merchandise subject to the 25% levy, the Group remained unaffected during the Review Period. Furthermore, the Group has not received any request from its customers for contingency planning with respect to the Group's China production.

During the six months ended 30 September 2018, the Group's revenue increased by approximately 6.4% to HK$357,666,000 from HK$336,303,000 for the corresponding period last year. The Group's revenue from the U.S. accounted for approximately 93.4% and 92.2% of the Group's total revenue for the six months ended 30 September 2017 and 2018, respectively. The gross profit margin remained stable at 16.5% for the six months ended 30 September 2018 as compared with 17.2% for the corresponding period in 2017, resulting in a gross profit of HK$59,165,000 (corresponding period in 2017: HK$57,690,000). Profit attributable to owners of the Company amounted to HK$3,118,000 (corresponding period in 2017: HK$213,000). Excluding the impact of the listing expenses of HK$4,782,000 and HK$4,990,000 for the six months ended 30 September 2017 and 2018 respectively, profit attributable to owners of the Company would increase by approximately 62.3% to HK$8,108,000 for the same period in 2018 (corresponding period in 2017: HK$4,995,000). The increase in profit attributable to owners of the Company was primarily a result of a relatively larger income tax expense for the six months ended 30 September 2017 partially due to the one-off effect of over estimation on income tax refund in prior years as well as the slight increase in revenue over the same period last year.

Sales by product categories

The Group's apparel products can generally be divided into four categories, namely (i) outerwear, (ii) bottoms, (iii) tops and (iv) other products. During the Review Period, the sales volume of the Group amounted to 1,900,000 pieces of finished apparel products (corresponding period in 2017: 2,070,000 pieces). The average selling price of the products was HK$188 per piece of finished apparel products (corresponding period in 2017: HK$162 per piece).

(i) Outerwear

The Group's outerwear products include mainly jackets, coats and blazers, and are chiefly made from wool and wool blend. The revenue generated from the sales of outerwear increased by approximately 35.6% to HK$183,621,000 for the six months ended 30 September 2018 (corresponding period in 2017: HK$135,461,000). The increase in outerwear's revenue was primarily due to the increase in its sales volume from 384,000 pieces for the six months ended 30 September 2017 to 534,000 pieces for the corresponding period in 2018. The average selling price per piece of outerwear remained relatively stable at HK$353 and HK$344 for the six months ended 30 September 2017 and 2018, respectively.

(ii) Bottoms

The Group's bottoms products include mainly pants, shorts and skirts, and are chiefly made from cotton, wool and wool blend. The revenue generated from the sales of bottoms decreased by approximately 11.5% to HK$107,587,000 for the six months ended 30 September 2018 (corresponding period in 2017: HK$121,520,000). The decrease in bottoms' revenue was mainly attributable to the decrease in its sales volume and partly compensated by the increase in its selling price. The sales volume of bottoms decreased by approximately 20.5% from 1,248,000 pieces for the six months ended 30 September 2017 to 992,000 pieces for the corresponding period in 2018. The average selling price per piece for bottoms amounted to HK$97 and HK$108 for the six months ended 30 September 2017 and 2018, respectively.

(iii) Tops

The Group's tops products include mainly shirts, blouses and tank tops, and are chiefly made from cotton, polyester, triacetate and lyocell. The revenue generated from the sales of tops decreased by approximately 34.6% to HK$9,235,000 for the six months ended 30 September 2018 (corresponding period in 2017: HK$14,121,000) primarily due to the decrease in sales volume by approximately 38.3% to 58,000 pieces for the six months ended 30 September 2018 (corresponding period in 2017: 94,000 pieces). The decrease in revenue was partially compensated by a slight increase in the average selling price per piece for tops to HK$159 for the six months ended 30 September 2018 from HK$150 for the corresponding period in 2017.

(iv) Other products

The Group's other products include mainly dresses, suits, gown scarf, jumpsuits and vests, and are chiefly made of cotton, wool and wool blend. The revenue generated from the sales of other products decreased by approximately 12.2% from HK$65,201,000 for the six months ended 30 September 2017 to HK$57,223,000 for the same period in 2018. The decrease in its revenue was a result of a combination of the decrease in its sales volume from 344,000 pieces to 316,000 pieces and the decrease in its average selling price from HK$190 to HK$181 for the six months ended 30 September 2017 and 2018, respectively.

Selling and distribution costs

Selling and distribution costs primarily consist of duty and freight, sample costs, trip expenses, and staff cost. Selling and distribution costs for the six months ended 30 September 2018 remained relatively stable at HK$21,312,000 (corresponding period in 2017: HK$22,311,000).

General and administrative expenses

General and administrative expenses primarily consist of audit fees, staff cost, rental expenses, depreciation for property, plant and equipment except for the depreciation expenses that are manufacturing related and accounted for under cost of sales, etc. General and administrative expenses for the six months ended 30 September 2018 remained relatively stable at HK$28,302,000 (corresponding period in 2017: HK$27,162,000).

Finance costs

Finance costs primarily represent interest expenses arising from the trust receipt loans and term and revolving loans. The Group's finance costs increased by approximately 53.3% from HK$2,706,000 for the six months ended 30 September 2017 to HK$4,147,000 for the corresponding period in 2018. The increase in finance costs was in line with the increase in borrowings and interest rate.

Income tax expenses

Income tax expenses primarily consist of current and deferred income tax at the applicable tax rate in accordance with the relevant laws and regulations in Hong Kong, the PRC and Sri Lanka. Income tax expenses for the six months ended 30 September 2018 decreased by approximately 64.9% to HK$1,290,000 (corresponding period in 2017: HK$3,676,000). A relatively larger income tax expense for the six months ended 30 September 2017 was partially due to the one off effect of over estimation on income tax refund in prior years.

Financial position

As at 30 September 2018, the Group's cash and cash equivalents amounted to approximately HK$33,157,000 (31 March 2018: HK$66,536,000). A relatively larger cash and cash equivalents as at 31 March 2018 was largely a result of the cash flow from the discounting of certain export invoices with the bank on a without recourse basis as at 31 March 2018. Reduced export invoice discounting coupled with high cash requirement during the Group's peak season from July to September led to a lower cash and cash equivalents as at 30 September 2018.

Inventories increased by approximately HK$6,334,000 to HK$46,076,000 as at 30 September 2018 (31 March 2018: HK$39,742,000) in line with the expected sales orders to be delivered in the second half of the year ending 31 March 2019.

Trade and other receivables increased by approximately HK$111,668,000 to HK$255,344,000 (31 March 2018: HK$143,676,000) primarily due to the increase in trade receivables, which was caused by a combined effect that (i) there was less discounting of certain export invoices as mentioned earlier and (ii) much higher sales were recorded in August and September 2018 than that in February and March 2018. This is consistent with the usual peak shipping season being from July to September every year.

Borrowings increased by approximately HK$57,878,000 to HK$255,054,000 (31 March 2018: HK$197,176,000) primarily due to the Group's growing financing needs, which was consistent with the increase in inventories and trade receivables for reasons as explained above.

As at 30 September 2018, the net current liabilities amounted to approximately HK$29,792,000 (31 March 2018: HK$37,758,000). As at 30 September 2018, the Group had no capital commitment (31 March 2018: Nil).

PROSPECTS

While the overall trade relationship between China and the U.S. remains uncertain, the Group believes the overall demand of apparel products should be underpinned by the robust U.S. economy which saw an unemployment rate of 3.7% in September 2018, the lowest since 1969. Barring any major upheavals on the trade front, the Group is cautiously optimistic that business will be as usual in the near term outlook. With the completion of the IPO of the Company in October 2018, the Group's focus will be to expand its Sri Lanka production capacity by utilizing the excess land in its Katunayake factory, not only to reduce its reliance on China as a country of origin but also to cope with the expected increase in demand for Sri Lanka production. The groundwork for this project will be started before the end of 2018.

OTHER INFORMATION

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 19 October 2018 (the "Listing Date"), the shares of the Company (the "Shares") were listed on the Main Board of SEHK. The Group intends to apply the proceeds from the issuance of 200,000,000 Shares at the offer price of HK$0.40 per Share (the "Share Offer") in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus dated 29 September 2018 (the "Prospectus").

Given that the Share Offer was completed after the Review Period, there was no utilisation of the proceeds as at 30 September 2018. The implementation plan as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus will commence during the year ending 31 March 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations primarily through bank borrowings and internal resources. Following the completion of the Share Offer in October 2018, the net proceeds from the Share Offer are expected to provide additional funds for future cash requirements. It is anticipated that the Group has sufficient working capital to fund its future working capital, capital expenditure and other cash requirements. As at 30 September 2018, the Group's net current liabilities were approximately HK$29,726,000 (31 March 2018: HK$37,758,000). The Group's net current liabilities were mainly a result of the reclassification of non-current borrowings as current borrowings owing to the repayable on demand clause as stipulated in the relevant loan agreements. The Group's cash and cash equivalents as at 30 September 2018 were approximately HK$33,157,000 (31 March 2018: HK$66,536,000).

As at 30 September 2018, there were bank borrowings of approximately HK$255,054,000 (31 March 2018: HK$197,176,000) and unutilized bank facilities of HK$116,424,000. As at 30 September 2018, the Group's interest bearing bank borrowings carried annual interest rate in the range of 2.2% to 4.6%.

GEARING RATIO

As at 30 September 2018, the gearing ratio of the Group, based on total interest-bearing liabilities (primarily bank borrowings) to total equity (including all capital and reserves) of the Company was 356.2% (31 March 2018: 287.7%). The increase in gearing ratio was consistent with the gradual build-up of inventories and garment production for the peak shipping season typically in July to September of every year. Following the completion of the Share Offer in October 2018, it is expected that the gearing ratio of the Group will be greatly reduced.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group employed 2,066 full-time employees in Hong Kong, the PRC and Sri Lanka. The Group recognises the importance of maintaining good relationship with its employees and retaining competent staff to ensure operational efficiency and effectiveness. The remuneration packages offered to the Group's employees are based on each employee's qualifications, relevant experience, position and seniority. The Group conducts review on salary increments, bonuses and promotions based on the performance of each employee. The Group provides on-the-job training to its new employees. In the six months ended 30 September 2018, the Group had not experienced any strike, any significant problems with its employees or other material labour disputes which had materially disrupted its operation during such period. The Group has not experienced any difficulties in the recruitment of experienced and skilled staff.

TREASURY POLICIES AND FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign currency risk which refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Group's functional currency is Hong Kong dollar ("HK$") and it carries out foreign currency transactions in United States Dollars ("US$"), Euro ("EUR"), Renminbi ("RMB") and Sri Lankan Rupees ("LKR"). Since HK$ is pegged to US$, the Group does not expect any significant movement in the US$/HK$ exchange rate. The currencies giving rise to exchange risks are primarily EUR, RMB and LKR. The Group has not experienced any material difficulty or liquidity problems resulting from foreign exchange fluctuations.

Although the Group currently does not undertake any hedging activities, it will monitor exchange rate trends from time to time to consider if there is such a need in the future in order to mitigate any risks arising from foreign exchange fluctuations.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this report.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

As the Shares have not been listed on the Stock Exchange as at 30 September 2018, the Model Code as set out in Appendix 10 of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules") was not applicable to the Company for the six months ended 30 September 2018. The Company has adopted the Model Code as rules governing dealings by the Directors in the listed securities of the Company on 19 October 2018. Based on specific enquiry with the Directors, all the Directors have compiled with the required standards as set out in the Model Code since the Listing Date and up to the date of this report.

CORPORATE GOVERNANCE

As the Shares were not listed on the Stock Exchange until 19 October 2018, the Code on Corporate Governance (the "CG Code") as set out in Appendix 14 of the Listing Rules was not applicable to the Company for the six months ended 30 September 2018. The Company has adopted the CG Code since the Listing Date. The Company confirms it has met the required standards as set out in the CG Code since the Listing Date and up to the date of this report.

AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with the requirements of the CG Code for the purpose of reviewing and supervising the Group's financial reporting process. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chan Kee Huen Michael, Mr. Cheng King Hoi Andrew and Mr. Ko Ming Tung Edward. Mr. Chan Kee Huen Michael is the chairman of the Audit Committee.

REVIEW OF THE INTERIM RESULTS

The Audit Committee had reviewed the unaudited consolidated results of the Group for the six months ended 30 September 2018 and discussed with the management of the Company the accounting principles and practices adopted by the Group as well as internal controls and other financial reporting matters.

INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVE

The Shares of the Company were listed on the Main Board of SEHK on 19 October 2018. As at the date of this report, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and SEHK pursuant to the Model Code, are as follows:

Interests and/or short positions in the Company

Director	Nature of interest	Number of Shares held[1]	Percentage of Interest in the Company
Ms. Wong Mei Wai Alice	Interest of spouse[2]	300,000,000 (L)	37.5%
Mr. Choi Siu Wai William	Interest in controlled corporation[3]	272,000,000 (L)	34.0%

Notes:

1. The letter "L" denotes long position in the shares held.

2. Ms. Wong Mei Wai Alice is the spouse of Mr. Siu Chi Wai and is deemed to be interested in the Shares in which Mr. Siu Chi Wai is interested in under Part XV of the SFO. Moonlight Global Holdings Limited, a controlled corporation of the Company, is wholly owned by Mr. Siu Chi Wai.

3. These shares are held by Rainbow Galaxy Limited. The issued share capital of Rainbow Galaxy Limited is ultimately wholly owned by two revocable trusts ("Choi's Family Trusts") both of which Mr. Choi Siu Wai William is the settlor. Mr. Choi Siu Wai William is deemed to be interested in the shares of the Company in which Rainbow Galaxy Limited is interested in under Part XV of the SFO.

Save as disclosed above, as at the date of this report, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and SEHK pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the date of this report, so far as the Directors are aware, the following persons had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company and SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity/nature of interest	Number of Shares[1]	Percentage of shareholding
Moonlight Global Holdings Limited ("Moonlight")	Beneficial owner	300,000,000 (L)	37.5%
Rainbow Galaxy Limited[2] ("Rainbow Galaxy")	Beneficial owner	272,000,000 (L)	34.0%
Mr. Siu Chi Wai	Interest of controlled corporation[3]	300,000,000 (L)	37.5%
Ms. Wong Mei Wai Alice	Interest of spouse[4]	300,000,000 (L)	37.5%
Mr. Choi Siu Wai William	Interest of controlled corporation[5]	272,000,000 (L)	34.0%
Ms. Cheung Shui Lin	Interest of spouse[6]	272,000,000 (L)	34.0%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. Rainbow Galaxy is directly wholly owned by Angel Sense Limited, a company incorporated in the BVI. Angel Sense Limited is owned as to 50.0% by Mega Capital Assets Limited (a company incorporated in the BVI) and as to 50.0% by Capital Star Assets Limited (a company incorporated in the BVI). Each of Mega Capital Assets Limited and Capital Star Assets Limited is wholly owned by a revocable family trust of which Mr. Choi Siu Wai William is the settlor.

3. The issued share capital of Moonlight is wholly owned by Mr. Siu Chi Wai. Mr. Siu Chi Wai is deemed to be interested in the Shares in which Moonlight is interested in under Part XV of the SFO.

4. Ms. Wong Mei Wai Alice is the spouse of Mr. Siu Chi Wai and is deemed to be interested in the Shares in which Mr. Siu Chi Wai is interested in under Part XV of the SFO. Moonlight, a controlled corporation of the Company, is wholly owned by Mr. Siu Chi Wai.

5. These shares are held by Rainbow Galaxy. The issued share capital of Rainbow Galaxy is ultimately wholly owned by Choi's Family Trusts of which Mr. Choi Siu Wai William is the settlor. Mr. Choi Siu Wai William is deemed to be interested in the Shares in which Rainbow Galaxy is interested in under Part XV of the SFO.

6. Ms. Cheung Shui Lin is the spouse of Mr. Choi Siu Wai William and is deemed to be interested in the Shares in which Mr. Choi Siu Wai William is interested in under Part XV of the SFO. Rainbow Galaxy, a controlled corporation of the Company, is ultimately wholly owned by Choi's Family Trusts of which Mr. Mr. Choi Siu Wai William is the settlor.

Save as disclosed above, as at the date of this report, the Directors are not aware of any person who had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company and SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme upon the passing of the written resolutions of its shareholders on 21 September 2018 (the "Share Option Scheme"). Pursuant to the Share Option Scheme, the Directors may grant options to eligible participants to subscribe for the Shares subject to the terms and conditions stipulated therein. Upon the listing of the Shares on SEHK on 19 October 2018, all conditions set forth have been satisfied. No share options had been granted under the Share Option Scheme since its adoption.

INTERIM DIVIDEND

The Directors of the Company do not recommend payment of an interim dividend to shareholders of the Company for the six months ended 30 September 2018.

IMPORTANT EVENTS AFTER THE REVIEW PERIOD

a. On the Listing Date, pursuant to the resolutions of the shareholders of the Company passed on 21 September 2018, the Directors are authorised to allot and issue a total of 599,999,900 Shares credited as fully paid at par to the holders of Shares on the register of members of the Company at the closing of business on 21 September 2018 in proportion to their shareholdings by way of capitalisation of the sum of HK$5,999,999 standing to the credit of the share premium account of the Company.

b. On the Listing Date, the Shares were listed on the Main Board of SEHK and 200,000,000 Shares were issued by the Company at the offer price of HK$0.40 per Share. The net proceeds from the above issue were estimated to be approximately HK$52,000,000.

Save as disclosed above, there are no material subsequent events undertaken by the Company or by the Group after 30 September 2018 and up to the date of this report.

By Order of the Board
Sterling Group Holdings Limited
美臻集團控股有限公司*
Wong Mei Wai Alice
Executive Director and chief executive officer

Hong Kong, 26 November 2018

* *For identification purpose only*

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF STERLING GROUP HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 19 to 50 which comprise the condensed consolidated statement of financial position of Sterling Group Holdings Limited and its subsidiaries (collectively referred to as the "Group") as of 30 September 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial statements"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements is not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited
Certified Public Accountants
Chow Tak Sing, Peter
Practising Certificate Number P04659
Hong Kong, 26 November 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 September	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Revenue	5	**357,666**	336,303
Cost of sales		**298,501**	278,613
Gross profit		**59,165**	57,690
Other revenue		**3,577**	2,866
Other gains and losses, net		**417**	294
Selling and distribution costs		**(21,312)**	(22,311)
General and administrative expenses		**(28,302)**	(27,162)
Listing expenses		**(4,990)**	(4,782)
Finance costs	6	**(4,147)**	(2,706)
Profit before income tax expense		**4,408**	3,889
Income tax expense	7	**(1,290)**	(3,676)
Profit for the period	8	**3,118**	213
Profit for the period attributable to:			
Owners of the Company		**3,118**	213
		HK cents	*HK cents*
Earnings per share			
– Basic	10	**0.52**	0.04

		Six months ended 30 September	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Audited)
Profit for the period	8	**3,118**	213
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Remeasurement gain/(loss) on defined benefit plan		**316**	(71)
Exchange differences arising on translation of foreign operations		**(141)**	120
Other comprehensive income for the period		**175**	49
Total comprehensive income for the period		**3,293**	262
Total comprehensive income for the period attributable to:			
Owners of the Company		**3,293**	262

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Non-current assets			
Prepaid insurance premium		**8,004**	7,966
Property, plant and equipment	11	**54,873**	59,864
Payment for leasehold land held for own use under operating lease	12	**23,618**	23,907
Goodwill	13	**16,792**	16,792
Deferred tax assets		**217**	15
Total non-current assets		**103,504**	108,544
Current assets			
Inventories	14	**46,076**	39,742
Trade and other receivables	15	**255,344**	143,676
Amounts due from related parties	20	**89**	4,272
Tax recoverable		**419**	1,720
Cash and cash equivalents		**33,157**	66,536
Total current assets		**335,085**	255,946
Current liabilities			
Trade, bills and other payables	16	**107,656**	84,486
Amounts due to shareholders	20	**–**	8,428
Amount due to a related party	20	**–**	1,049
Bank borrowings	17	**255,054**	197,176
Tax payable		**2,167**	2,565
Total current liabilities		**364,877**	293,704
Net current liabilities		**(29,792)**	(37,758)
Total assets less current liabilities		**73,712**	70,786

	Notes	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Non-current liabilities			
Defined benefit obligation	18	**2,117**	2,252
Net assets		**71,595**	68,534
Capital and reserves attributable to owners of the Company			
Share capital	19	**–***	–*
Other reserves		**71,595**	68,534
Total equity		**71,595**	68,534

* *Represents amount less than HK$1,000*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Capital reserve *HK$'000*	Contributed reserve *HK$'000*	Translation reserve *HK$'000*	Remeasurement reserve *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
Balance as at 31 March 2018 as originally presented (audited)	–*	–	10,078	4	(118)	58,570	68,534
Initial application of HKFRS 9 *(Note 4 (ii))*	–	–	–	–	–	(232)	(232)
Restated balance at 1 April 2018	–	–	10,078	4	(118)	58,338	68,302
Exchange differences arising on translation of foreign operations	–	–	–	(141)	–	–	(141)
Remeasurement gain on defined benefit plan for the period	–	–	–	–	316	–	316
Profit for the period	–	–	–	–	–	3,118	3,118
Total comprehensive income for the period	–	–	–	(141)	316	3,118	3,293
Dividend recognised as distribution	–	–	–	–	–	–	–
At 30 September 2018 (unaudited)	–*	–	10,078	(137)	198	61,456	71,595

* *Represents amount less than HK$1,000*

	Share capital *HK$'000*	Capital reserve *HK$'000*	Contributed reserve *HK$'000*	Translation reserve *HK$'000*	Remeasurement reserve *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
Balance as at 1 April 2017 (audited)	–	–	10,000	(13)	–	56,558	66,545
Exchange differences arising on translation of foreign operations	–	–	–	(71)	–	–	(71)
Acquisition of a subsidiary by share allotment	–	–	78	–	–	–	78
Remeasurement gain on defined benefit plan for the period	–	–	–	–	120	–	120
Profit for the period	–	–	–	–	–	213	213
Total comprehensive income for the period	–	–	78	(71)	120	213	340
Share issued for cash consideration	–*	–	–	–	–	–	–*
Dividend recognised as distribution	–	–	–	–	–	(18,000)	(18,000)
At 30 September 2017 (audited)	–*	–	10,078	(84)	120	38,771	48,885

* *Represents amount less than HK$1,000*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Net cash used in operating activities	**(83,316)**	(38,803)
Cash flow from investing activities:		
Interest received	**12**	5
Repayment from a related party	**4,004**	–
Purchases of properties, plant and equipment	**(1,778)**	(2,895)
Addition of payment for leasehold land held for own use under operating lease	**–**	(1,560)
Net cash generated from (used in) investing activities	**2,238**	(4,450)
Cash flow from financing activities:		
Proceed from bank borrowings	**301,451**	317,197
Repayment of bank borrowings	**(239,953)**	(251,451)
Cash advance from a shareholder	**572**	–
Cash advance from a related party	**–**	7,466
Repayment to a related party	**(1,049)**	–
Repayment to a shareholder	**–**	(7,283)
Interim dividends paid	**(9,000)**	–
Interest paid	**(4,147)**	(2,706)
Net cash generated from financing activities	**47,874**	63,223
Net (decrease)/increase in cash and cash equivalents	**(33,204)**	19,970
Cash and cash equivalents at beginning of the period	**67,134**	47,140
Effect of exchange rate changes on cash and cash equivalents	**(773)**	24
Cash and cash equivalents at end of the period	**33,157**	67,134
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS:		
Bank balances and cash	**33,157**	67,134

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands on 6 June 2017, as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The addresses of the registered office of the Company are located at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Island. The Company is an investment holding company and the Group is principally engaged in the provision of manufacturing and trading of apparel products in the market of the United States of America (the "Listing Business").

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK") on 19 October 2018.

This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$") as the management of the Group consider HK$ can provide more meaningful information to the Company's investors.

2. REORGANISATION

Prior to the incorporation of the Company and completion of the Reorganisation as described below, the trading of apparel products was carried out by Sterling Apparel Limited ("Sterling Apparel"). Before the completion of the Reorganisation, Sterling Apparel was controlled by Mr. Siu Chi Wai ("Mr. CW Siu") and Rainbow Galaxy Limited ("Rainbow Galaxy") who held controlling interests in the Sterling Apparel.

In preparation for the listing of shares of the Company on the Main Board of Hong Kong Exchange and Clearing Limited ("the Stock Exchange"), the Group underwent the Reorganisation to transfer the Listing Business to the Company principally through the following steps:

(i) Incorporation of Holdings

On 6 June 2017, the Company was incorporated in the Cayman Island as an exempted company with limited liability under the Companies Law, with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, of which one Share was allotted and issued to the initial subscriber, an Independent Third Party. On the same date, the said Share was transferred to Moonlight Global Holdings Limited ("Moonlight") and one Share was allotted and issued to Rainbow Galaxy.

(ii) Acquisition of Zhi Wei (Guangzhou) Garment Co., Limited ("Zhi Wei") by Elegant Maker Limited ("Elegant Maker")

On 17 December 2016, Mr. Wong Kwong Sang ("Mr. KS Wong") and Mr. Choi Siu Wai William ("Mr. William Choi") (as vendor) and Elegant Maker (as purchaser) entered into a sale and purchase agreement pursuant to which Mr. KS Wong and Mr. William Choi each respectively sold, and Elegant Maker acquired, 50% equity interests in Zhi Wei at a cash consideration of HKD8,000,000 in total. The said transfer of shares to Elegant Maker was completed on 31 December 2016 (the "PRC Acquisition").

Upon completion of the PRC Acquisition, the equity interests in Zhi Wei shall be wholly owned by Elegant Maker and indirectly wholly owned by Sterling.

(iii) Share acquisition of Chiefway (Private) Limited ("Chiefway (PVT)") by Sterling Apparel and assets and liabilities acquisition of Chiefway Lanka (Private) Limited ("Chiefway Lanka") by Chiefway Katunayake (Private) Limited ("Chiefway Katunayake").

On 28 February 2017, Mr. Siu Yik Ming ("Mr. YM Siu") (as vendor) and Sterling Apparel (as purchaser) entered into a sale and purchase agreement pursuant to which Sterling Apparel on the same date acquired all the issued shares in Chiefway (PVT) from Mr. YM Siu at a consideration of USD1,200,000.

On 31 March 2017, Chiefway Lanka (as vendor) and Chiefway Katunayake (as purchaser) entered into a sale and purchase agreement pursuant to which Chiefway Katunayake acquired the identifiable assets and liabilities of Chiefway Lanka at a consideration of USD4,606,452.

(iv) Incorporation of (1) Moonlight; (2) Excel Tops Limited ("Excel Tops"); (3) Winfield Group Limited ("Winfield"); (4) Win 18 Limited ("Win 18"); (5) Win 19 Limited ("Win 19") and (6) Win 20 Limited ("Win 20").

On 19 May 2017, Moonlight was incorporated in the British Virgin Islands ("BVI") with limited liability, with an authorised share capital of 50,000 shares of single class of par value of US$1 each. On 16 May 2017, one share in Moonlight was allotted and issued to Mr. CW Siu, credited as fully paid.

On 11 May 2017, Excel Tops was incorporated in the BVI with limited liability, with an authorised share capital of 50,000 shares of a single class of par value of US$1 each. On 23 May 2017, two shares in Excel Tops were allotted and issued; one of which to Moonlight and one of which to Rainbow Galaxy, both credited as fully paid.

On 11 May 2017, Winfield was incorporated in Hong Kong with limited liability. On the same date, 50 shares of Winfield were allotted and issued to Mr. CW Siu and 50 shares of Winfield were allotted and issued to Rainbow Galaxy. It is an investment company that holds the Property Holdings Companies – Win 18, Win 19 and Win 20.

On 19 May 2017, Win 18, Win 19 and Win 20 were incorporated in Hong Kong with limited liability; Win 18, Win 19 and Win 20 are all wholly owned by Winfield.

(v) Acquisition of the shares in Sterling Apparel by Winfield

On 24 May 2017, Mr. CW Siu and Rainbow Galaxy (as vendor) and Winfield (as purchaser) entered into a sale and purchase agreement pursuant to which each of Mr. CW Siu and Rainbow Galaxy transferred 50% shareholding interests in Sterling Apparel to Winfield in consideration of Winfield allotting and issuing, credit as fully paid, 50 shares of Winfield to Moonlight (at the direction of Mr. CW Siu) and 50 shares of Winfield to Rainbow Galaxy.

(vi) Transfer of the properties from Sterling Apparel to Win 18, Win 19 and Win 20

On 25 May 2017, Sterling Apparel (as vendor) and each of Win 18, Win 19 and Win 20 (as purchasers) entered into a sale and purchase agreement respectively pursuant to which all the interest, titles and rights of the properties were transferred to Win 18, Win 19 and Win 20 respectively on 25 May 2017. The properties owned by Win 18, Win 19 and Win 20 respectively.

The consideration of the said sale and purchase agreements were set off by the debts owed by Sterling Apparel to Win 18, Win 19 and Win 20 respectively, on a dollar-to-dollar basis.

(vii) Acquisition of Sterling Apparel by Excel Tops

On 12 June 2017, Winfield (as vendor) and Excel Tops (as purchaser) entered into a sale and purchase agreement pursuant to which Winfield transferred 100% shareholding interests in Sterling Apparel to Excel Tops in consideration of Excel Tops allotting and issuing, credit as fully paid, 5,000 shares of Excel Tops to Moonlight and 5,000 shares of Excel Tops to Rainbow Galaxy.

(viii) Acquisition of Excel Tops by the Company

On 18 September 2018, Moonlight and Rainbow Galaxy (as vendors) and the Company (as purchaser) entered into a sale and purchase agreement pursuant to which each of Moonlight and Rainbow Galaxy transferred 50% shareholding interests in Excel Tops to the Company in consideration of the Company allotting and issuing, credit as fully paid, 49 shares of the Company to Moonlight and 49 shares of the Company to Rainbow Galaxy.

(ix) Increase in authorised share capital of the Company

On 21 September 2018, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by creation of an additional 9,962,000,000 Holdings Shares of par value of HK$0.01 each.

After the completion of the reorganisation steps as described above, the Company became holding company of the subsidiaries now comprising the Group.

3. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group for the six months ended 30 September 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial information should be read in conjunction with the Prospectus of Sterling Group Holdings Limited dated 29 September 2018, which included in the combined financial statements of the Group for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

4. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2018 are the same as those followed in the preparation of the Group's combined financial statements for the three years ended 31 March 2016, 2017 and 2018 underlying the preparation of the financial information included in the prospectus of the Company in connection with the initial public offering of the shares of the Company on the Main Board of the Stock Exchange.

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2018 combined financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 April 2018.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2018.

HKFRS 9	Financial Instruments
HKFRS15	Revenue from Contracts with Customers
HK(IFRIC) – Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property

HKFRS 9 – Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 April 2018, bringing together all three aspects of the accounting for financial instruments: (i) classification and measurement; (ii) impairment and (iii) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the condensed consolidated interim financial statements.

(i) Classification and measurement of financial instruments

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no impact on the Group's accounting policies related to financial liabilities and derivative financial instruments as there is no such financial instruments of the Group. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings as of 1 April 2018 as follows (increase/(decrease)):

	HK$'000
Retained earnings as at 1 April 2018	58,570
Increase in expected credit losses ("ECLs") in trade receivables *(note 4(ii) below)*	(278)
Increase in expected credit losses ("ECLs") in deferred tax assets *(note 4(ii) below)*	46
Restated retained earnings as at 1 April 2018	58,338

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVTOCI"); or (iii) FVTPL (as defined above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

Amortised cost would be applied to the Group's financial assets. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial instruments as at 1 April 2018:

Financial assets	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 April 2018 under HKAS 39**	**Carrying amount as at 1 April 2018 under HKFRS 9**
			HK$'000	*HK$'000*
Trade and other receivables	Loans and receivables	Amortised cost	143,676	143,676
Amounts due from related parties	Loans and receivables	Amortised cost	4,272	4,272
Cash and cash equivalents	Loans and receivables	Amortised cost	66,536	66,536

Financial liabilities	**Original classification under HKAS 39**	**New classification under HKFRS 9**	**Carrying amount as at 1 April 2018 under HKAS 39**	**Carrying amount as at 1 April 2018 under HKFRS 9**
			HK$'000	*HK$'000*
Trade, bills and other payables	Other financial liabilities	Amortised cost	84,486	84,486
Bank borrowings	Other financial liabilities	Amortised cost	197,176	197,176
Amounts due to shareholders	Other financial liabilities	Amortised cost	8,428	8,428
Amount due to a related party	Other financial liabilities	Amortised cost	1,049	1,049

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit loss ("ECL") model". HKFRS 9 requires the Group to recognise ECL for trade and bills receivables, financial assets at amortised costs, contract assets and debt investment at FVTOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the end of the reporting period; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

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

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information. The Group's debt investment at FVTOCI are considered to have low credit risk since the issuers' credit rating are high.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVTOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 April 2018 was determined as follows for trade receivables as follows:

1 April 2018	Current	Less than 3 months past due	More than 3 months but less than 6 months past due	More than 6 months but less than 12 months past due	More than 1 years past due	More than 2 years past due	Total
Expected credit loss rate *(%)*	0.1%	0.5%	2.0%	5.0%	10%	100%	–
Gross carrying amount *(HK$'000)*	99,551	20,472	2,413	476	41	–	122,953
Loss allowance *(HK$'000)*	100	102	48	24	4	–	278

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 April 2018 was HK$278,000. The loss allowances further increased by HK$419,000 for trade and other receivables during the six-month period ended 30 September 2018.

(b) Impairment of other receivables

All of the Group's other debt investments at amortised costs are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months ECLs. No loss allowance has been recognised during the six-month period ended 30 September 2018.

Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the statement of financial position as at 31 March 2018, but are recognised in the statement of financial position on 1 April 2018. This means that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;

- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and

- The designation of certain investments in equity investments not held for trading as at FVTOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or services is regarded as being transferred over time:

(a) when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) when the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) when the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15, the entity recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

Nature of the goods, satisfaction of performance obligations and payments

The Group recognises revenue from the sales of apparel products.

Sales are recognised when control of the products has been transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. There is generally only one performance obligation in the contract.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Invoices are usually payable within 60 days.

Nature of change in accounting policy and impact on 1 April 2018

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in changes in accounting policies.

In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated.

The Group assessed the impacts of adopting HKFRS 15 on its financial statements. Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's revenue recognition.

The application of these amendments in the current interim period has no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The following new/revised HKFRSs, potentially relevant to the Group's condensed consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 16	Leases[1]
HK(IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 19	Employee Benefits[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

1 *Effective for annual periods beginning on or after 1 April 2019.*

2 *The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.*

As set out in Note 22, the total operating lease commitment of the Group in respect of rented premises as at 30 September 2018 amounted to HK$37,077,000 in which HK$37,071,000 were with original lease term over 1 year. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases at its present value upon the application of HKFRS 16. The combination of straight-line depreciation of the right-to-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Group do not expect the adoption of HKFRS 16, as compared to the current accounting policy of the Group, would result in significant impact on the Group's financial position and financial performance in future. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that may subject to change until the Group finalises its financial statements for the year ending 31 March 2020.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. The directors of the Company anticipate that the application of other new and amendments to HKFRSs and an interpretation will have no material impact on the Group's financial performance and positions and the disclosures to the condensed consolidated financial statements of the Group.

5. REVENUE AND SEGMENT INFORMATION

During the reporting period, the Group was principally engaged in the manufacturing and trading of apparel products. Information reported to the Group's chief operating decision maker (the "CODM"), for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment historical financial information is available. Accordingly, the Group has only one business segment and no further analysis of this single segment is considered necessary.

Segment revenues and results

The following is an analysis of the Group's revenue that is disaggregated by major products, primary geographical market and timing of revenue recognition and results from continuing operations by reportable segment.

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Major products		
Outerwear	**183,621**	135,461
Bottoms	**107,587**	121,520
Tops	**9,235**	14,121
Others *(Note a)*	**57,223**	65,201
	357,666	336,303
Primary geographical markets		
The United States of America (the "USA")	**329,817**	314,216
Italy	**17,916**	2,427
United Kingdoms	**5,990**	14,057
Others *(Note b)*	**3,943**	5,603
	357,666	336,303
Timing of revenue recognition		
At a point in time	**357,666**	336,303
Transferred over time	**–**	–
	357,666	336,303

Note a: Others products mainly includes dresses, suits, gown, scarf, jumpsuits and vests.

Note b: Others mainly includes Japan, Spain and Canada.

Information about the Group's non-current assets

Information about the Group's non-current assets other than prepaid insurance premium is presented based on the client's location of the assets:

	At 30 September 2018	At 31 March 2018
	HK\$'000	*HK\$'000*
	(Unaudited)	(Audited)
Hong Kong ("Hong Kong")	**21,088**	21,628
The People's Republic of China (the "PRC")	**14,727**	16,353
Sri Lanka	**59,685**	62,597
	95,500	100,578

6. FINANCE COSTS

	Six months ended 30 September	
	2018	2017
	HK\$'000	*HK\$'000*
	(Unaudited)	(Audited)
Interest on bank borrowings		
– trust receipt loans	**2,036**	1,000
– term and revolving loans	**2,110**	1,705
– bank overdraft	**1**	1
	4,147	2,706

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Hong Kong profits tax		
– current taxation	**1,302**	4,166
– under provision in prior years	**–**	795
	1,302	4,961
Oversea profits tax		
– current taxation	**101**	–
– under provision in prior years	**43**	–
	144	–
Deferred tax:		
– current year	**(156)**	(1,285)
	1,290	3,676

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate.

For the six months ended 30 September 2018, Hong Kong profits tax for the Hong Kong subsidiaries has been provided at the rate of 8.25% on assessable profits up to HK$2,000,000; and 16.50% on any part of assessable profits over HK$2,000,000 (six months ended 30 September 2017:16.50%). A HK subsidiary of the Group has been entitled to a concessionary tax rate of 50% on the transactions made with a PRC subsidiary of the Group under the relevant contract processing arrangement for both periods.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC Enterprise Income Tax ("EIT") of the PRC subsidiary of the Group is calculated based on the statutory tax rate of 25.00% on the assessable profits.

The provision for Sri Lanka Corporate Income Tax is based on the statutory rate of 14.00% (six months ended 30 September 2017: 12.00%) of the assessable profit of the Sri Lanka subsidiaries of the Group as determined in accordance with the Sri Lanka's Inland Revenue.

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging/(crediting):

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**5,786**	5,811
Amortisation of payment for leasehold land held for own use under operating lease	**289**	281
Amortisation of prepaid insurance premium	**112**	111
Imputed interest income from prepaid insurance premium*	**(150)**	(143)
Employee costs (including directors' emoluments)	**70,780**	66,305
Listing expenses	**4,990**	4,782
Write-down/(reversal of written-down) of inventories	**514**	(75)
Interest income*	**(12)**	(5)
Net impairment loss recognised on trade receivables# *(Note)*	**419**	–
Loss on disposal/written-off of property, plant and equipment#	**5**	–
Net exchange gain#	**(486)**	(294)

* *Included in other revenue*

\# *Included in other gains and losses*

Note: The Group had provided HK$419,000 net impairment loss on trade receivables during the six-month period ended 30 September 2018 in accordance with HKFRS 9.

9. DIVIDENDS

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interim dividends	**–**	18,000

For the purpose of the interim report, dividends represented interim dividends declared and paid by the subsidiaries now comprising the Group to the equity holders of the subsidiaries. No interim dividend in respect of the six months ended 30 September 2018 has been proposed by the directors of the Company (six months ended 30 September 2017: HK$18,000,000).

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2018.

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2018 and 2017. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effect of the issue of shares in connection with the capitalisation of shares which took place on 19 October 2018.

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of calculations of basic earnings per share	**3,118**	213

	Six months ended 30 September	
	2018	2017
	'000	*'000*
	(Unaudited)	(Audited)
Number of shares		
Weighted average number of ordinary shares for the purposes of calculations of basic earnings per share	**600,000**	600,000

The weighted average number of ordinary shares for such purpose has been retrospectively adjusted for the effects of the issue of Shares in connection with the Reorganisation Issue and Capitalisation Issue (as defined in Note 19).

No diluted earnings per share for the six months ended 30 September 2018 and 2017 was presented as the Company did not have any dilutive potential ordinary shares in issue for the six months ended 30 September 2018 and 2017.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred expenditure of HK$1,778,000 during the six months ended 30 September 2018 (six months ended 30 September 2017: HK$2,895,000) on property, plant and equipment to expand and upgrade the Group's manufacturing facilities.

12. MOVEMENTS IN PAYMENT FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

The Group incurred no expenditure during the six months ended 30 September 2018 (six months ended 30 September 2017: HK$1,560,000) on payment for leasehold land held for own use under operating lease.

13. GOODWILL

	At 30 September 2018 *HK$'000* **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Goodwill	**16,792**	16,792

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU") identified as follows:

	At 30 September 2018 *HK$'000* **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Manufacturing and trading of garments	**16,792**	16,792

The recoverable amount for the CGU is determined based on value – in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a 5-year period. Cash flows beyond the 5-year period are extrapolated using the estimated growth rates as stated below. The growth rate does not exceed the long-term average growth rate for the manufacturing and trading of garments business in which the CGU operates. The discount rates used for value-in-use calculations are pre-tax and reflect specific risks relating to the relevant CGU.

	At 30 September 2018 *HK$'000* **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Discount rate	**14%**	19%
Growth rate	**5%**	5%

14. INVENTORIES

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Raw materials	**43,035**	35,039
Work-in-progress	**1,819**	1,965
Finished goods	**1,222**	2,738
	46,076	39,742

15. TRADE AND OTHER RECEIVABLES

	At 30 September 2018 HK$'000 (Unaudited)	At 31 March 2018 HK$'000 (Audited)
Trade receivables	**231,634**	122,953
Less: allowance for doubtful debts	**(697)**	–
	230,937	122,953
Prepayment	**6,314**	1,616
Deferred listing expenses	**5,139**	3,073
Other receivables	**11,243**	14,223
Utilities and sundry deposits	**1,711**	1,811
	255,344	143,676

The Group allows a credit period ranging from 30 days to 60 days to its trade customers. The following is an aged analysis of trade receivables based on the due dates net of allowance of doubtful debts:

	At 30 September 2018 *HK$'000* **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Current	**176,947**	99,551
Less than 3 months past due	**46,262**	20,472
More than 3 months but less than 6 months past due	**3,790**	2,413
More than 6 months but less than 12 months past due	**3,894**	476
More than 12 months past due	**44**	41
	230,937	122,953

During the current interim period, the Group provided HK$419,000 net impairment allowance based on the provision matrix.

The movement in the allowance for impairment during the current interim period was as follows:

	HK$'000
Balance as 1 April 2018*	278
Net measurement of loss allowance	419
Balance at 30 September 2018	697

* *The Group has initially applied HKFRS 9 at 1 April 2018. Under the transition method chosen, comparative information is not restated.*

16. TRADE, BILLS AND OTHER PAYABLES

	At 30 September 2018 ***HK$'000*** **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Trade payables	**49,170**	28,023
Bills payables	**39,478**	41,121
Other payables and accruals	**19,008**	15,342
	107,656	84,486

The following is an ageing analysis of trade payables based on invoice dates are as follows:

	At 30 September 2018 ***HK$'000*** **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
0–30 days	**31,199**	13,713
31–90 days	**17,301**	13,186
91–365 days	**641**	567
Over 365 days	**29**	557
	49,170	28,023

All the bills payables of the Group were not yet due at the end of the reporting periods.

17. BANK BORROWINGS

During the six months ended 30 September 2018, the Group obtained new bank borrowings of HK$301,451,000 (six months ended 30 September 2017: HK$317,197,000) and made repayments of HK$239,953,000 (six months ended 30 September 2017: HK$251,451,000). These bank borrowings obtained and repaid are mainly denominated in Hong Kong dollar ("HKD") and US dollar ("USD"). The bank borrowings raised were mainly used to repay the existing bank borrowings or as working capital of the Group.

The bank borrowings of the Group are mainly variable rate borrowings. The range of effective interest rates of bank borrowings of the Group is 2.2%–4.6% (31 March 2018: 1.9%–4.5%) per annum and are repayable by installments over a period from one to three years. The bank borrowings are secured by the assets of the Group and the assets of related companies (which has common director and shareholders of the Group) and the personal guarantee of two directors, a shareholder and a related party (who is a shareholder of a related company in which has common director and shareholder of the Group).

18. DEFINED BENEFIT OBLIGATION

Two subsidiaries of the Group located in Sri Lanka, Chiefway Katunayake (Private) Limited and Chiefway (Private) Limited are liable to pay retirement benefits under the Payment of the gratuity Act No. 12 of 1983 to an employee, who has a period of service of not less than five completed years, on termination (whether by the employer or workman, or on retirement or by the death of the workman, or by operation of law, or otherwise) of the services. Upon each year of completed service, the employee will be entitled to half a month's wage and salary.

The liability recognised in consolidated financial statements in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flow using the interest rates that apply to the currency in which the benefit will be paid and that have terms to maturity approximating to the terms of the related liability.

The liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

For the period ended 30 September 2018, the Group recognised the service cost and interest cost of HK$211,000 (Six months ended 30 September 2017: HK$295,000) and benefit paid HK$220,000 (Six months ended 30 September 2017: HK$197,000) in relation to defined benefit obligation granted by the Company.

19. SHARE CAPITAL

The Company was incorporated with limited liability in the Cayman Islands on 6 June 2017 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each, of which one Share was allotted issued to the initial subscriber, an Independent Third Party. At the same date, the said Share of HK$0.01 was transferred to Moonlight and one Share of HK$0.01 was allotted and issued to Rainbow Galaxy prior to the completion of the Reorganisation.

For the six months ended 30 September 2018	**Number of shares**	**Nominal value of ordinary shares** *HK$*	**Share premium** *HK$*
Authorised			
As 1 April 2018	**38,000,000**	**380,000**	–
Increase during the period *(Note b)*	**9,962,000,000**	**99,620,000**	–
As 30 September 2018	**10,000,000,000**	**100,000,000**	–
Issued and fully paid			
As 1 April 2018	**2**	–*	–
Reorganisation Issue *(Note c)*	**98**	–*	–
At 30 September 2018	**100**	–*	–

* *Represents amount less than HK$1,000*

For the six months ended 30 September 2017	Number of shares	Nominal value of ordinary shares *HK$*	Share premium *HK$*
Authorised			
As 1 April 2017	–	–	–
Increase during the period	38,000,000	380,000	–
As 30 September 2017	38,000,000	380,000	–
Issued and fully paid			
As 1 April 2017	–	–	–
Increase during the period *(Note a)*	2	–*	–
At 30 September 2017	2	–*	–

* *Represents amount less than HK$1,000*

Note a: On 6 June 2017 (date of incorporation), 2 shares of HK$0.01 each were allotted and issued.

Note b: On 21 September 2018, the Shareholders resolved to increase the authorised share capital of the Company from HK$380,000 to HK$100,000,000 by the creation of 9,962,000,000 additional Shares, each ranking *pari passu* with the Shares then in issue in all respects.

Note c: Pursuant to the share and purchase agreement dated 18 September 2018, each of Moonlight and Rainbow Galaxy transferred 50% shareholding interests in Excel Tops Limited to the Company by allotting and issuing, credit as fully paid, 49 ordinary shares of the Company to Moonlight and 49 ordinary shares of the Company to Rainbow Galaxy.

Subsequent to the reporting period, pursuant to the resolution of the Company's shareholders, Moonlight and Rainbow Galaxy, the Company allotted and issued a total of 599,999,900 new ordinary shares on 19 October 2018 by way of capitalisation of a sum of HK$5,999,999 reserve of the Company ("Capitalisation Issue"). Such shares rank pari passu in all respects with then existing shares of the Company. Upon the completion of the Capitalisation Issue, the number of ordinary shares for the Company increased to 600,000,000.

20. RELATED PARTY DISCLOSURES

Related party transactions

The Group entered into the following transactions with its related parties during the six months ended 30 September 2018 and 2017:

Name of entities	Relationship with the Group	Nature of transactions	Six months ended 30 September **2018** ***HK$'000*** **(Unaudited)**	 2017 *HK$'000* (Audited)
C.F.L Enterprise Limited	Mr. William Choi (Director and beneficial owner of the shareholder of the Group) is the director and shareholder of the related company	Sales of finished apparel products	**89**	36
		Sales of apparel samples	**–**	6
Chiefway Group Limited	A director of the Group and also the son of director, Ms. Wong Mei Wai Alice, and shareholder, Mr. CW Siu, of the Group, has beneficial interests in the related company	Rental income	**–**	60
Kam Li Fashion Factory	Common shareholder, Mr. CW Siu	Motor vehicle rental expense	**108**	108
Full Submit Development Limited	Common shareholder, Mr. CW Siu	Motor vehicle rental expense	**150**	150
Win 18 Limited ("Win 18")	Common shareholder, Mr. CW Siu and common director, Mr. William Choi	Rental expenses	**692**	–
Win 19 Limited ("Win 19")	Common shareholder, Mr. CW Siu and common director, Mr. William Choi	Rental expenses	**692**	–
Win 20 Limited ("Win 20")	Common shareholder, Mr. CW Siu and common director, Mr. William Choi	Rental expenses	**692**	–
Moonlight	Common shareholder, Mr. CW Siu	Disposal of subsidiaries of the Group	**–**	–*
Rainbow Galaxy	Common director, Mr. William Choi	Disposal of subsidiaries of the Group	**–**	–*

* *Winfield Limited, Win 18 , Win 19 and Win 20 were disposed to the shareholders of the Group and carved out from the Group.*

Compensation of directors and key management personnel

	Six months ended 30 September	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Salaries and other allowances	**5,286**	5,067
Retirement benefit scheme contributions	**87**	84
Total	**5,373**	5,151

Related party balances

Details of the Group's outstanding balances with related parties are set out as follows respectively:

	At 30 September 2018	At 31 March 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Amounts due from related parties	**89**	4,272
Amounts due to shareholders	**–**	(8,428)
Amount due to a related party	**–**	(1,049)

Amounts due from/(to) related parties and shareholders are unsecured, interest-free and repayable on demand.

21. FINANCIAL INSTRUMENTS

Fair value

Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, amounts due from related parties, trade, bills and other payables, amounts due to shareholders and a related party and bank borrowings.

Due to their short term nature, the carrying value of cash and cash equivalents, trade and other receivables, amount due from related parties, trade, bills payables and other payables, amounts due to shareholders and a related party approximates fair value.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 September 2018 and 31 March 2018.

22. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 30 September 2018 and 31 March 2018, the total future minimum lease payments of the Group under non-cancellable operating leases are payable as follows:

	At 30 September 2018 ***HK$'000*** **(Unaudited)**	At 31 March 2018 *HK$'000* (Audited)
Not later than one year	**9,995**	10,406
Later than one year and not later than five years	**17,945**	23,737
Later than five years	**9,137**	9,189
	37,077	43,332

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

Subsequent to the reporting period, pursuant to the shareholder's written resolution, the Company allotted and issued a total of 599,999,900 new ordinary shares on 19 October 2018 by way of capitalisation of a sum of HK$5,999,999 reserve of the Company.

On 19 October 2018, upon the approval of SEHK, the Company has completed its initial public offering of 228,000,000 shares on the Main Board of SEHK, comprising 200,000,000 New Shares offered by the Company for subscription and 28,000,000 Sale Shares offered by the Selling Shareholder for sale.