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

Annual Report 2020

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

Ms. Chan Yuet Kwai

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

2nd Floor, Century Yard
Cricket Square
P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18–19/F, Win Plaza
9 Sheung Hei Street
San Po Kong
Kowloon
Hong Kong

COMPANY WEBSITE

http://www.sterlingapparel.com.hk

AUDITORS

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

COMPLIANCE ADVISOR

Ample Capital Limited
Unit A, 14th Floor
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
Central
Hong Kong

STOCK CODE

01825

Corporate Information

PRINCIPAL BANKS

Standard Chartered Bank (Hong Kong) Limited
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Central
Hong Kong

Hang Seng Bank
83 Des Voeux Road
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Tricor Services (Cayman Islands) Limited
2nd Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Financial Highlights

	For the year ended 31 March	
	2020 **HK$'000**	2019 HK$'000
Revenue	**590,873**	641,733
Gross profit	**111,372**	92,899
Gross profit margin	**18.8%**	14.5%
Loss before income tax expense	**(59,471)**	(22,122)
Loss for the year	**(58,638)**	(22,670)
LOSS PER SHARE – Basic and diluted (HK cents)	**(7.33)**	(3.29)
Net loss margin	**(9.9%)**	(3.5%)
Return on total assets	**(15.7%)**	(5.9%)
Return on average total equity	**(68.1%)**	(24.6%)
Interest coverage ratio	**(5.0 times)**	(1.8 times)
EBITDA*	**(30,450)**	(1,942)
EBITDA net of listing expenses	**N/A**	6,995
EBITDA add back non-recurring material losses**	**26,809**	N/A

	At 31 March	
	2020 **HK$'000**	2019 HK$'000
Total assets	**372,730**	385,633
Net assets attributable to owners	**56,692**	115,544
Cash and bank balances	**47,836**	75,687
Current ratio	**0.79 times**	1.07 times
Quick ratio	**0.68 times**	0.93 times
Gearing ratio	**408.2%**	164.8%
Debt-to-equity ratio	**323.9%**	99.3%

* 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.

** Non-recurring material losses	**HK$'000**
Expected credit loss on trade and other receivable, net	(53,067)
Impairment of intangible assets	(2,387)
Fair value changes on convertible promissory note	(1,805)

Chairman's Statement

On behalf of the board of directors of Sterling Group Holdings Limited (the "Company"), I would like to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2020.

2019/20 was shaping up to be a year of turnaround for the Group as we started the year delivering on a large program of flight crew uniforms for a United States Airline from our Sri Lanka factories. We continued to make progress during the year on our attrition program in our Panyu, China factory as the headcount was gradually reduced by about one-third to approximately 390 employees by March 2020. The reduced capacity in the Company's Panyu factory is now reserved only for higher-priced apparels demanding better workmanship or otherwise affording a higher CM (cut-make) price. Meanwhile, the feasibility and engineering study for the expansion of the Company's Sri Lanka factories was completed by late 2019 as planned. However, we decided to take a more cautionary approach soliciting commitments on orders of more tailored apparels from our customers before we decided to break ground.

This pause in our factory expansion in Sri Lanka turned out to be fortuitous as the world economy, already clouded by the China – US trade war, was ravaged by COVID-19 which first disrupted the supply chain in China when fabric mills and accessories factories did not resume operation after the Chinese New Year holidays ended in early February 2020. The pandemic gathered pace in March in America, UK and Europe as businesses were locked down and residents were urged to stay home in many States and many countries. This demand shock from the Western countries was far more furious than the impact from work stoppages of China factories a month or so earlier as it reverberated throughout the supply chain in Asia where many well established garment factories were forced to close or furlough their employees with no certain date of return. The Group's shipments scheduled for March 2020 were also impacted by the factory lockdown in Sri Lanka and the Philippines. Major apparel brands and retailers were cancelling and postponing orders, or discounting goods already made. Apparel retailers were particularly hard hit as consumers stay home and malls stay closed leading to a string of bankruptcies. The largest customer of the Group unfortunately also filed for bankruptcy protection on May 4th, leading to an estimated credit loss of about HK$40.2 million.

This appeared to be a heavily pre-negotiated Chapter 11 filing as this company's term loans of about US$1.65 billion were converted into equity with the new shareholders providing US$400 million in debtor-in-possession financing. The confirmation of the restructuring plan is scheduled for court approval in August – September 2020, about four months from its filing date. The Group expects to continue to do business with this customer as its credit risk principally because of its former large debt load is removed entirely in one fell swoop with this Chapter 11 restructuring.

Despite the recent surge in COVID cases, America and most Western countries are gradually lifting lockdowns and relaxing social distancing rules. There is hope that the deep economic contraction in the first half of 2020 will abate and that the world economy would stage a recovery in 2021. (One scenario in World Bank's June report pegs GNP growth at 4.2% in 2021). At the same time, the Company has also seen product development that was once suspended or delayed by its new customers has now resumed, and the sharp contraction in Fall Holiday 2020 orders has given way to a more normal, though still very conservative, Spring 2021 buy plan. In anticipation of the fall-off in sales in the coming year 2020/21, the Company reacted quickly with a rollback of salaries across the board in the Hong Kong office by 30% effective 1 April 2020. By June 2020, a significant portion of the merchandising function in Hong Kong began to be relocated to our Panyu facility reducing the monthly payroll by about HK$1 million a month with the salaries for some of the remaining staff being restored, while salaries for more senior managers are still at a reduced level. Meanwhile, a reduction in force was also implemented in May 2020 in our Sri Lanka factories with about 300 fewer employees. In the foreseeable future, any seasonal increase in demand on our capacity will be met with temporary contract employees.

Chairman's Statement

Without the severe impact from the Chapter 11 filing by a major customer, the Company reported a much stronger operating performance in 2019/20 as evidenced by an EBITDA of approximately HK$26.8 million (net of non-recurring material losses) for the current year vs. about approximately HK$7 million (net of listing expenses) for the year ended 31 March 2019. Likewise, the sales contribution from our new customers developed in 2019/2020 has also been postponed as the impact from the pandemic took hold. We will continue to focus on building on the partnership with our existing customers, diversify our source of revenue while seeking cost reduction opportunities. Despite the uncertainty in the economy, we have positioned ourselves accordingly and are determined to ride out the storm.

APPRECIATION

I would like to take this opportunity to express our appreciation to our management and staff for their hard work, their sacrifices and commitment to the Company during this challenging time. The counsel and guidance from our fellow independent non-executive directors was especially helpful in today's economic environment, not to speak of their solidarity in reducing the director's fees. As always, we owe a debt of gratitude to our customers, suppliers, bankers and shareholders for their trust and support as we navigate through the challenges of these two years.

Choi Siu Wai, William
Chairman

21 July 2020

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 having secured several new customers, including a high-end fashion brand from U.S., a British online fashion retailer, a well-known U.K. luxury brand and an American retailer business outfitters division supplying flight crew uniforms for U.S. airlines. In March 2020, the Group has entered into a direct vendor agreement with a company listed on the NASDAQ Capital Market pursuant to which the Group has become the exclusive supplier of apparel products under its proprietary brands for five years.

As at 31 March 2020, 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 represents an important milestone to the Group and will greatly benefit the Group's further development in the future.

BUSINESS REVIEW

Financial Overview

For the year ended 31 March 2020 (the "Year" or "current reporting period"), the Group's revenue decreased by about 7.9% to approximately HK$590,873,000 from approximately HK$641,733,000 for the year ended 31 March 2019. Sales to the United States, which is the major market of the Group, were seriously affected by the protracted trade war between China and the USA in 2019 and the outbreak of COVID-19 starting in early 2020. As a result of COVID-19, the lockdown of Sri Lanka and the Philippines, the principal locations of the Group's production facilities and subcontractors, had caused substantial negative impact to the production and delivery of orders in the first quarter of 2020. Notwithstanding the decrease in revenue for the Year, the gross profit margin of the Group increased from 14.5% to 18.8% as a result of lower outsourcing costs and higher product margin from more tailored apparels and the airline uniform program completed during the year. The loss for the Year amounted to approximately HK$58,638,000 (2019: loss approximately HK$22,670,000) chiefly due to the expected credit loss from the Group's major customer.

The COVID-19 has seriously imperiled the financial position of a major customer of the Group leading to its filing of Chapter 11 protection on 4 May 2020. This customer has historically accounted for about 50% to 70% of the Group's total revenue for these few years. As of the date of petition, the total gross accounts receivable outstanding from this customer amounted to approximately US$15 million or approximately HK$120 million.

Furthermore, the COVID-19 outbreak has caused widespread lockdown of businesses in the U.S., stay-at-home orders in many states and drastically dampened the consumer's propensity to spend, hurting or potentially hurting many of the retailers in the U.S. market including the Group's customers. Due to this severe economic contraction in the U.S., a significant increase in the allowance for expected credit loss (the "ECL") including the impact of the Chapter 11 filing was recognised on the trade and other receivables held by the Group. The total expected credit loss on trade and other receivables (both individual and collective basis) increased from approximately HK$515,000 for the year ended 31 March 2019 to approximately HK$53,067,000 for the year ended 31 March 2020. Impairment of intangible assets, the J Peterman trademark, and fair value changes on the convertible promissory note ("CPN") to JP Outfitters, in the amount of approximately HK$2,387,000 and HK$1,805,000 respectively were recorded as of 31 March 2020 as a result of a generally more severe economic environment. Both the recoverable amounts of the trademark and fair value of CPN were determined by reference to the valuation reports issued by independent valuers. By excluding the exceptional items for the Year of expected credit losses on trade and other receivables, and impairment of intangible assets and fair value change of CPN, the Group recorded a net loss of approximately HK$1,379,000 and an EBITDA* of approximately HK$26,809,000 for the Year, compared with a net loss of approximately HK$22,670,000 and an EBITDA* (after adding back non-recurring listing expenses) of approximately HK$6,995,000 for the same period in 2019. Had it not been for the outbreak of COVID-19, the Group would have achieved an improvement in operating performance for the year ended 31 March 2020.

DIVIDEND

The Company did not recommend the declaration of final dividend for the year ended 31 March 2020 (2019: Nil).

Sales by Product Categories

The Group's apparel products can generally be divided into four categories, namely (i) outerwear (which includes mainly jackets, coats and blazers and are chiefly made from wool and wool blend), (ii) bottoms (which include pants, shorts and skirts, and are chiefly made from cotton, wool and wool blend), (iii) tops (which include mainly shirts, blouses and tank tops, and are chiefly made from cotton, polyester, triacetate and lyocell) and (iv) other products (which include mainly dresses, suits, gown scarf, jumpsuits and vests, and are chiefly made of cotton, wool and wool blend).

During the Year, the sales volume of the Group amounted to approximately 2,750,600 pieces of finished apparel products (2019: approximately 3,830,000 pieces). The decrease in sales volume is mainly attributable to the decrease in bottoms. The sales volume of bottoms decreased by approximately 40.3% from approximately 2,297,000 pieces for the year ended 31 March 2019 to approximately 1,372,000 pieces for the Year, reflecting a significant change in product mix as a major portion of our own manufacturing capacity in Sri Lanka was dedicated to the airline uniform program compared with the larger volume and lower-priced cotton shorts and pants program of the previous year. The overall average selling price per piece of all apparel products in the Year was approximately HK$214.5 vs. HK$167.6 in previous year. The average selling price per piece of outerwear, bottoms, tops and others amounted to approximately HK$309.3, HK$144.8, HK$218.4 and HK$259.5 respectively for the year ended 31 March 2020, and approximately HK$334.3, HK$108.4, HK$180.3 and HK$191.4 respectively for the year ended 31 March 2019.

Selling and Distribution Costs

Selling and distribution costs for the Year decreased by approximately 7.6% to approximately HK$37,923,000 (2019: approximately HK$41,048,000). It was in line with the decrease in sales turnover in the current Year.

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General and Administrative expenses

General and administrative expenses for the Year were approximately HK$70,280,000, representing an increase of approximately HK$8,023,000 from that of approximately HK$62,257,000 for the year ended 31 March 2019. The higher expenses mainly stemmed from increases in people and other overhead costs as the Group increased its production in-house vs. outsourcing because a greater proportion of our products in the current year requires own manufacturing due to the higher requirement in construction, fit and quality such as the airline uniform program.

Finance Costs

The group's finance costs increased by approximately 24.1% from approximately HK$7,984,000 for the year ended 31 March 2019, to approximately HK$9,905,000 for the Year. The increase in finance costs was mainly due to increase in the interest in lease liabilities upon adoption of HKFRS 16 and the Group's borrowings during the Year.

Income tax expenses

Due to the loss incurred by the Group, there was an income tax credit of approximately HK$833,000 for the Year (2019: income tax expense approximately HK$548,000).

Financial Position

As at 31 March 2020, the Group's cash and cash equivalents amounted to approximately HK$47,836,000 (2019: approximately HK$75,687,000). The decrease was mainly due to the delay in settlement of trade receivables by customers due to tighter credit conditions during COVID-19 period.

Bank borrowing increased by approximately HK$40,996,000 (approximately 21.5%) to approximately HK$231,439,000 as at 31 March 2020 (2019: approximately HK$190,443,000). It was mainly attributable to the utilisation of a US$1,400,000 loan for the acquisition of intellectual property, the issuance of a US$500,000 convertible promissory note to JP Outfitters, total capital expenditures of approximately HK$14,162,000 during the Year.

OUTLOOK

The year ahead is likely to be one full of challenges as COVID-19, which was first reported in China in early 2020, still shows no signs of being under control with the recent surge in new cases around the world, especially in the U.S. where its consumption demand drives a significant portion of apparel exports from the Asian countries. This pandemic has already caused widespread distress in the economy, more particularly in the retail sector as social distancing, business lockdown and stay-at-home orders are implemented everywhere. The Group encountered its own difficulty as a major customer filed Chapter 11 protection in the U.S. on 4 May 2020. However, it is widely anticipated that this customer will emerge from this heavily pre-negotiated Chapter 11 restructuring in about September 2020 as planned. The major impact of this restructuring is to convert all its bank debts into equity. As one of its important critical vendors going forward, the Group anticipates that future business with this customer will be relatively free of the credit risk once associated with a heavy debt load and its renewal after this restructuring.

Management Discussion and Analysis

In the last few years, the Group while serving the needs of its existing customers has also focused on diversifying its customer base. From a very high sales concentration of over 90% with this major customer for many years, we have reduced its proportion of our total sales revenue to a range of 50% to 70% since about four years ago. Just in the last twelve months, we have added five new customers which are at various stages of starting up, order-processing and actual bulk shipments. However, we do not expect a meaningful contribution from these new customers to the Group's sales turnover until after spring/summer 2021, not only because of the long selling cycle in the OEM manufacturing business but most retailers also have unsold inventory left over from spring/summer 2020 when the world was in the throes of the pandemic. Furthermore, the worldwide economic contraction from the impact of the pandemic continues to dampen retail spending and otherwise curtail/defer the buy plan of most apparel retailers. So, 2020 is the year to batten down the hatches.

Against this backdrop of uncertainty, the Group has continued to shape its cost structure to meet the expected decrease in demand from its customers. Following the reduction in force ("RIF") in our China factory last year, the Group's Sri Lanka factory will also see RIF of about 300 employees, which commenced immediately after the lockdown in May 2020. A more severe retrenchment is planned for the Hong Kong head office reducing one third of its office space and RIF of 30 employees effective 30 June 2020, about one third of its headcount, as the Company migrate most of its merchandizing function to the Panyu office. In addition, the staff that remains will see their salaries further adjusted downward up to 33.3% to reflect the harsh economic environment the Company is faced with as every country struggles to recover from the impact of COVID-19. The annual savings of our austerity measures is estimated to be in excess of approximately HK$20,000,000.

We will continue to look for ways to expand our sources of revenue while paring down our expenses. The Company, having endured the financial pressure from the Chapter 11 restructuring of its major customer, is committed to rebuilding from its base.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The Company manages its capital structure with the objectives of ensuring that the businesses of the Group can continue to maintain a sustainable growth and providing a long term reasonable return to its Shareholders. The Group's financial position remained healthy and stable. It is anticipated that the Group has sufficient working capital to fund its future working capital, capital expenditure and other cash requirements. As at 31 March 2020, the Group had cash and bank balances amounting to approximately HK$47,836,000 (31 March 2019: approximately HK$75,687,000), and current assets and current liabilities of approximately HK$242,304,000 (as at 31 March 2019: approximately HK$286,084,000) and HK$306,787,000 (as at 31 March 2019: approximately HK$268,016,000) respectively. It should be noted that the current liabilities balance as at 31 March 2020 included approximately HK$13,603,000 (2019: approximately HK$23,739,000), the total of amounts due after one year but were included as current liabilities because of the Payment on Demand clause in bank loan documents.

As at 31 March 2020, there were bank borrowings of approximately HK$231,439,000 (as at 31 March 2019: approximately HK$190,443,000) and unutilised bank facilities of approximately HK$155,041,000. These bank borrowings obtained and repaid are mainly denominated in Hong Kong dollar and US dollar. As at 31 March 2020, the Group's interest-bearing bank borrowings carried mainly variable rate borrowings with annual interest rate of 1.1% to 5.0% per annum.

GEARING RATIO

As at 31 March 2020, 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 approximately 408.2% (31 March 2019: approximately 164.8%). The increase in gearing ratio was mainly attributable to the decrease in equity as a result of the large increase in expected credit loss from the Chapter 11 filing of the Group's major customer and the increase in bank borrowing also largely as a result of the same disruption in cash inflow during the Year.

PLEDGE OF ASSETS

The bank borrowings of the Group are secured by (a) certain assets of the Group, (b) the asset of a related company which share common directors and shareholders of the Group, and (c) the personal guarantees of the two controlling shareholders, one of their spouses who's also a director, and a related party of the other controlling shareholder who together with that controlling shareholder jointly owns a related company.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND FUTURE FLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 31 May 2019, an indirect wholly-owned subsidiary of the Company entered into an Intellectual Property Purchase Agreement with the seller, JP Outfitters, LLC, pursuant to which the seller has agreed to sell, convey, transfer and assign certain intellectual property rights to the buyer for a cash consideration of US$1,400,000. Concurrently, the buyer, as the licensor, and the seller, as the licensee, entered into a License agreement, pursuant to which the licensor grants to the licensee the rights to use the licensor's intellectual property to manufacture, sell and distribute products in the territory as defined in the license agreement for a certain royalty fee based on sales with a minimum annual amount equal to US$120,000. Additional details of the transaction can be found in the Company's announcement on 31 May 2019.

Save for those disclosed in this annual report, there were no other significant investments held, nor were there material acquisitions or disposals of subsidiaries during the year under review. Apart from those disclosed in this annual report, there were no material investments or additions of capital assets authorised by the Board at the date of this annual report.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group employed approximately 2,279 full-time employees (as at 31 March 2019: approximately 2,087 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 market conditions and 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. During the year ended 31 March 2020, 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, and has not experienced any difficulties in the recruitment of experienced and skilled staff.

The Group had implemented a 30% reduction in the salary of all the employees, and directors' fees for a period of 3 months with effect from 1 April 2020. In addition, in June 2020, the Group had conducted a staff retrenchment to reduce the number of employees and people cost in Hong Kong while migrating some of the functions in the Hong Kong office to the Group's factories in China and Sri Lanka.

TREASURY POLICIES AND FOREIGN CURRENCY EXPOSURE

The business activities and operations of the Group are located mainly in Hong Kong, Mainland China and Sri Lanka. It carries out foreign currency transactions in United States Dollars ("US$"), Euro ("EUR"), Renminbi ("RMB") and Sri Lankan Rupees ("LKR"), which expose the Group to foreign currency risks. The Group currently does not have a foreign currency hedging policy but maintains a conservative approach to foreign currency management to ensure its exposure to fluctuations in foreign exchange rates is minimized.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2020, the Group has no capital commitment and contingent liabilities.

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 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").

After deducting share issuance expense and professional fee regarding to the Share Offer, the net proceeds amounted to approximately HK$54,400,000.

	Percentage of net proceeds	Planned usage of net proceeds HK$' million	Utilised net proceeds up to 31 March 2020 HK$' million	Unutilised net proceeds up to 31 March 2020 HK$' million	Expected timeline for utilising the remaining proceeds *(Note (i))*
Expanding and refurbishing production facilities located in Sri Lanka and the PRC	30%	16.3	10.4	5.9	Before 31 December 2022
Repayment of bank borrowings	25%	13.6	13.6	0	
Acquisitions of production facilities	25%	13.6	0	13.6	Before 31 December 2022
Upgrading information technology system, lean manufacturing and productivity improvement programs	10%	5.4	0	5.4	Before 31 December 2022
General working capital	10%	5.5	5.5	0	
Net Proceeds		54.4	29.5	24.9	

(i) The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subjected to change based on current and future development of market conditions.

(ii) Due to US-China Trade War in 2019 and coronavirus outbreak in early 2020, the global economic environment becomes challenging and highly uncertain, our plan for expanding and refurbishing production facilities located in Sri Lanka and the PRC, the acquisitions of production facilities, and upgrading information technology system, lean manufacturing and productivity improvement programs will be postponed and expected to be completed before 31 December 2022 and their respective unutilised Net proceeds are intended to be fully utilised for the same specific purpose before 31 December 2022.

Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Wong Mei Wai Alice (王美慧), aged 63, is pivotal in developing the company's business since early 1990's and has been the Chief Executive Officer of Sterling Apparel Limited ("Sterling Apparel"), the wholly-owned operating subsidiary of the Company, since November 2012. She was further appointed as an executive Director of our Group on 6 June 2017. She is also a member of our Remuneration Committee and Nomination Committee of our Company. Ms. Alice Wong is primarily responsible for implementing corporate strategy, business development, product development, managing key client relationship and overall corporate performance. Ms. Alice Wong is the spouse of Mr. Siu Chi Wai ("CW Siu"), a Controlling Shareholder of our Company, and the mother of Mr. Siu Yik Ming ("YM Siu"), an executive Director of our Group.

Ms. Alice Wong has accumulated more than twenty-six years of experience in the apparel industry. She was the general manager of Sterling Possessions (H. K.) Limited ("SPHK") from 1 July 1994 to 31 October 2012, which was the predecessor company of Sterling Apparel.

Mr. Siu Yik Ming (蕭翊銘), aged 34, was appointed as a director of Zhi Wei (Guangzhou) Garment Manufacturing Co., Limited ("Zhi Wei"), a wholly owned Subsidiary of the Company, on 14 July 2017 and was further appointed as an executive Director of our Group on 31 July 2017. Mr. YM Siu has been the director of the Katunayake Factory and the Meegoda Factory in Sri Lanka for almost three years prior to them being acquired by our Group in 2017. He is now responsible for the management of our manufacturing facilities in Sri Lanka and the PRC.

Mr. YM Siu is the son of Mr. CW Siu, a Controlling Shareholder of our Company and Ms. Alice Wong, an executive Director of our Group.

Mr. YM Siu graduated from the Curtin University of Technology in Australia with a bachelor's degree in commerce in August 2009.

Mr. Chung Sam Kwok Wai (鍾國偉), aged 65, was appointed as a director of Elegant Maker Limited, a wholly owned Subsidiary of the Company, on 23 November 2016, and was further appointed as an executive Director of our Group on 31 July 2017. Mr. Chung has been the chief financial officer of Sterling Apparel since December 2013. Mr. Chung is responsible for monitoring the overall management and the finance operation of our Group. He was also appointed as Chief Operating Officer of the Group with effect from 1 February 2020.

Mr. Chung graduated from the University of British Columbia in Canada with a master of business administration in November 1982 and the Simon Fraser University in Canada with a bachelor of arts in June 1980. He obtained the qualification of Certified General Accountant of Canada in June 1984 (now redesignated as Chartered Professional Accountant of Canada). Mr. Chung has accumulated more than twenty-five years of experience in senior finance and operations roles in a number of industries in Hong Kong, U.S. and Canada, which include: (i) CFO of M&V International Manufacturing (HK) Limited, a knitwear manufacturer, from May 2010 to May 2012; (ii) CFO of Singpoli Pacifica LLC, a California real estate developer, from January 2009 to December 2009; (iii) CFO & Director of Yangtze Telecom Corp., a Canadian public company in telecom value-added services in China, from February 2004 to November 2008; (iv) President of EAS International (USA) Inc., an international freight forwarder, from June 1996 to May 2001; (v) President of Manchu NY Inc. from September 1994 to June 1996 and VP Finance/Administration of Manchu Inc., a garment trading and manufacturing company, from September 1989 to September 1994.

NON-EXECUTIVE DIRECTOR

Mr. Choi Siu Wai William (蔡少偉) ("Mr. Choi"), aged 68, is one of our Controlling Shareholders and was appointed as a director of Sterling Apparel and Chiefway International Limited on 19 September 2012 and 10 June 2014 respectively and was further appointed as our non-executive Director and chairman of our Board on 31 July 2017. Mr. Choi is also the chairman of our Nomination Committee and a member of our Remuneration Committee. His primary role as the Chairman of the Board is to provide leadership to the Board of Directors, ensuring its effectiveness in setting and implementing the company's strategy and corporate policies.

In addition to his experience in the apparel industry and directorship in a number of apparel trading companies, Mr. Choi also has interests in multiple businesses and non profit organizations. He currently also holds a number of roles such as the (i) managing director of the Federation of Hong Kong Chiu Chow Community Organisations; (ii) vice president of the Hong Kong Chiu Chow Chamber of Commerce; (iii) co-president of the Overseas Teo Chew Entrepreneurs Association; (iv) vice president of the Chiu Yang Residents Association of Hong Kong Ltd.; (v) director of the Federation of Hong Kong Garment Manufacturers; (vi) executive vice chairman of HK Bio-Med Innotech Association; (vii) president of the Hong Kong Food Safety Association; (viii) executive director of the Federation of Hong Kong Guangdong Community Organisations; (ix) president of Hong Kong Federation of Senior Citizen Industries; (x) honorary president of Central District Junior Police Call Honorary President Council; and (xi) honorary president of Central District Senior Police Call Honorary President Council. In addition, he is also the supervisor of the Chiu Yang Primary School of Hong Kong and director of Chiu Yang Por Yen Primary School and Yan Chai Hospital Choi Hin To Primary School.

Mr. Choi graduated from the University of California, Berkeley in the U.S. with a master of business administration in December 1975. In 2010, Mr. Choi was granted an honorary professorship from the Lincoln University in the USA and in 2011, he also received an honorary professorship from the Hong Kong Polytechnic University.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kee Huen Michael (陳記煊), aged 68, was appointed as an independent non-executive Director on 21 September 2018 and is the chairman of our Audit Committee. Mr. Chan is also a member of our Remuneration Committee and Nomination Committee. Mr. Chan is primarily responsible for providing independent advice on our Group's strategy, policy formulation, corporate accountability and resources allocation.

Mr. Chan graduated from the Hong Kong Polytechnic (now known as the Hong Kong Polytechnic University) with a higher diploma in accountancy in November 1976 and was awarded the postgraduate diploma from University of Surrey in the U.K. in March 1998. Mr. Chan is a fellow member of (i) the Hong Kong Institute of Certified Public Accountants, (ii) the Association of Chartered Certified Accountants; and (iii) the Hong Kong Institute of Directors; and a fellow member and specialist in Information Technology of CPA Australia and an associate of the Institute of Chartered Accountants in England and Wales. He was admitted as a certified information systems auditor of the Information Systems Audit and Control Association in 1985.

Mr. Chan is the chief executive of C&C Advisory Services Limited since January 2009. Prior to that, Mr. Chan was the deputy general manager of group compliance at Ping An Insurance (Group) Company of China, Limited, an insurance company listed on the Stock Exchange (stock code: 2318) from December 2006 to December 2009. Mr. Chan has over thirty years of working experience in auditing, financial management, internal audit and compliance in Hong Kong, the U.K., the PRC and Australia. He was an adjunct professor of the School of Accounting and Finance, Hong Kong Polytechnic University from September 2009 to August 2014.

Mr. Chan is currently an independent non-executive director of companies listed on the Stock Exchange, namely Lansen Pharmaceutical Holdings Limited (Stock Code: 0503), Huarong Investment Stock Corporation Limited (Stock Code: 2277) and China Baoli Technologies Holdings Limited (Stock Code: 164). He was also an independent non-executive director of K.H. Group Holdings Limited (Stock Code: 1557) from February 2016 to August 2018.

Mr. Cheng King Hoi Andrew (鄭敬凱), aged 62, was appointed as an independent non-executive Director on 21 September 2018. Mr. Cheng is also a member of our Audit, Remuneration and Nomination Committee. Mr. Cheng is primarily responsible for providing independent advice on our Group's strategy, policy formulation, corporate accountability and resources allocation. Mr. Cheng is a committee member of 中國人民政治協商會議四川省第十、十一屆委員會 (the tenth and eleventh committee of the Chinese Peoples' Political Consultative Conference of Sichuan Province of the PRC) since December 2007, the senior economic advisor of 哈爾濱利民經濟技術開發區 (Li Min-Harbin Economic and Technological Development Zone) since July 2012, the vice president of the Hong Kong Chiu Chow Chamber of Commerce (香港潮州商會) since September 2016 and the co-president of the Overseas Teo Chew Entrepreneurs Association Limited (海外潮人企業家協會有限公司) since January 2015. Mr. Cheng was also awarded as a 中國交通企業十大傑出管理人物 (China Public Transport Ten Outstanding Management Award) from the China Association of Communication Enterprise Management (中國交通企業管理協會) in June 2009 and a World Outstanding Chinese Award (世界傑出華人獎) from the World Chinese Business Investment Foundation (世界華商投資基金會) in May 2013.

Mr. Cheng was an executive director of Kwoon Chung Bus Holdings Limited (Stock Code: 0306) from July 1996 to December 2012. Mr. Cheng resigned as an executive director and now is the head of China business. Mr. Cheng is currently an independent non-executive director of Evergreen International Holdings Limited (Stock Code: 0238) since June 2012.

Mr. Ko Ming Tung Edward (高明東), aged 59, was appointed as an independent non-executive Director on 21 September 2018. Mr. Ko obtained a bachelor of laws degree as an external student from the University of London in U.K. in August 1986 and is a member of The Law Society of Hong Kong since March 1991. Mr. Ko is the principal of Edward Ko & Company and has been practising as a solicitor in Hong Kong for more than 29 years. Mr. Ko's role is primarily to provide independent advice on the Company's strategy, policy formulation, corporate accountability and allocation of resources.

Mr. Ko is also an independent non-executive director in the following companies listed on the Stock Exchange: (i) Sinofert Holdings Limited (Stock Code: 0297); (ii) Wai Chun Group Holdings Limited (Stock Code: 1013); (iii) EverChina International Holdings Company Limited (Stock Code: 0202) and (iv) Chia Tai Enterprises International Limited (Stock Code: 3839).

Mr. Ko was an independent non-executive director of Chinese Energy Holdings Limited (formerly known as iMerchants Limited) (Stock Code: 8009) from August 2015 to August 2017, and Zioncom Holdings Limited (Stock Code: 8287) from December 2017 to December 2019.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Kan Wai Sing (簡偉成), aged 59, joined our Group as vice-president manufacturing on 10 May 2017 and is responsible for the management of Zhi Wei including production from all outsourced factories in China. He was appointed as a director of Zhi Wei on 14 July 2017. He was also appointed as the in-charge of the Quality Assurance Department of the Group since 1 October 2019. Mr. Kan obtained a master degree of business administration from the Hong Kong Polytechnic University in October 2008. He attended the professional course on supply chain management in the College of Lifelong Learning, Hong Kong University of Science and Technology from November 2001 to December 2001. Mr. Kan passed the qualifying examination in Six Sigma Green Belt and was awarded a certificate from Six Sigma Institute in August 2011.

Mr. Lau Kwong Fai Anders (劉光輝), aged 45, joined our Group as a senior merchandising manager in 2016 and was promoted to senior director of merchandising on 1 February 2020. Mr. Lau is responsible for the management of merchandising function and our global client base, as well as leading the product development team. Mr. Lau obtained the higher diploma of fashion and textile processing program from the Hong Kong Polytechnic University in July, 1998. He previously worked as senior merchandising manager of a Hong Kong listed company Li and Fung Group from 2003 – 2011. Mr. Lau has over 25 years of experience in merchandising and sourcing field.

COMPANY SECRETARY

Ms. Chan Yuet Kwai has been appointed as the company secretary of the Company since 20 May 2019. Ms. Chan is a fellow member of both Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, and a certified public accountant of Washington State in the United States. She also holds a master degree in business administration from the Hong Kong Polytechnic University. Ms. Chan has extensive experience in accounting, finance and company secretarial. She has over 20 years' experience in serving Hong Kong listed companies. Ms. Chan joined the Group in April 2019.

Corporate Governance Report

The Board of Directors (the "Board") of Sterling Group Holdings Limited (the "Company") is committed to designing and maintaining robust corporate governance and effective internal control system for the Company and its subsidiaries (collectively as the "Group"), which are essential to enhancing corporate value and accountability, formulating business strategies, developing sustainable operation, enhancing transparency and safeguarding shareholders' interests.

For the financial year ended 31 March 2020, the Company has adopted and complied with all the Code Provisions of the Corporate Governance Code (the "CG Code") set out in Appendix 14 of the main board listing rules (the "Listing rules") published by The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Details of the corporate governance practices adopted by the Company are set out below.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding directors' securities transactions on terms and at required standard as set out in the Model Code in Appendix 10 of the Listing Rules.

The Group has made specific enquiries of all the Directors and they have confirmed that they have been complying with the required standard and the related code of conduct regarding Director's securities transactions.

As far as the Group is aware, the Directors and Senior Management of the Group have not breached the required standard and the code of conduct regarding Director's securities transactions.

BOARD OF DIRECTOR

The Board is comprised of seven members, with three executive directors, one non-executive director and three independent non-executive directors, as set out below:

Executive Director:

1. Ms. Wong Mei Wai, Alice (also as Chief Executive Officer "CEO")
2. Mr. Chung Sam Kwok Wai (also as Chief Financial Officer "CFO" and Chief Operating Officer "COO")
3. Mr. Siu Yik Ming

Non-Executive Director:

4. Mr. Choi Siu Wai, William (also as Chairman of the Board)

Independent Non-Executive Directors:

5. Mr. Chan Kee Huen, Michael
6. Mr. Cheng King Hoi, Andrew
7. Mr. Ko Ming Tung, Edward

Our Executive Director and CEO, Ms. Wong Mei Wai, Alice is the mother of our Executive Director, Mr. Siu Yik Ming. Save as disclosed in this annual report, there are no other relationships among our Directors.

Detailed biographical information of all Directors is contained in the Director and Senior Management section on pages 14–18.

For the financial year ended 31 March 2020, the Company has held an Annual General meeting and four Board meetings in quarterly interval in accordance to the principles and requirements set out in code provision A.1. The board meetings are chaired by our Chairman, Mr. Choi Siu Wai, William.

Board	Number of Attendance/ Number of Board Meeting	Number of Attendance/ Number of Annual General Meeting
Non-Executive Director:		
Mr. Choi Siu Wai, William *(Chairman of the Board)*	4/4	1/1
Executive Directors:		
Ms. Wong Mei Wai, Alice *(CEO)*	4/4	1/1
Mr. Chung Sam Kwok Wai *(CFO and COO)*	4/4	1/1
Mr. Siu Yik Ming	4/4	1/1
Independent Non-Executive Directors:		
Mr. Chan Kee Huen, Michael	4/4	1/1
Mr. Cheng King Hoi, Andrew	4/4	1/1
Mr. Ko Ming Tung, Edward	4/4	1/1

The Board, acting in the interest of the Group and its shareholders, is primarily responsible for strategy formulation, business development, corporate governance, risk management, compliance, internal control systems, dividend policy, board diversity policy, shareholders' relationship, accounting policies and financial statements, and other functions and matters assigned to the Board as set out in the Listing Rules and Articles of Association of the Company.

The Board delegates the daily operational management of the Group's business, execution of business development plan, administrative and operational duties and the implementation of risk management and internal controls to the CEO and other senior management of the Group. The Board also conducts regular reviews of the functions and performance of the management. The management of the Group shall obtain the approval of the Board before entering into and arranging any significant transaction/contract.

Other than regular meetings, the Chairman also meets with independent non-executive Directors without the presence of executive Directors, to facilitate an open discussion among the independent non-executive Directors on issues relating to the Group.

For the financial year ended 31 March 2020, the Group has complied with the relevant Listing Rules regarding (i) appointment of at least three non-executive directors, among whom at least one independent non-executive director has appropriate professional qualifications or accounting or related financial management expertise; (ii) independent non-executive directors account for at least one-third of the board of directors; and (iii) independent non-executive directors is majority in the Audit Committee of the Group and the chairman of the committee is an independent non-executive director.

As at the date of the annual report, each independent non-executive director has made an annual independence confirmation, and the Board is satisfied that all independent non-executive directors are independent and comply with the independence guidelines of the Listing Rules.

DIRECTORS

All Executive Directors, Non-Executive Directors and Independent Non-Executive Directors are appointed for a specific term of three years, subject to re-election or earlier determination in accordance with the Company's Articles of Association and/or applicable laws and regulations.

In accordance with the Articles of Association of the Group, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any other retiring director shall be the director with the longest term since the last re-election or appointment, if a number of directors are re-elected on the same day, the director to be retired shall be determined by drawing lots (unless otherwise agreed).

All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. All Directors of the Company shall be subject to retirement by rotation at least once every three years and that a Director may voluntarily retire. A retiring Director shall be eligible for re-election.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles and duties of the Chairman and chief executive officer of the Company are held by different persons. The Chairman of the Board of Directors is Mr. Choi Siu Wai, William, who is responsible for providing leadership to the Board of Directors, ensuring its effectiveness in setting and implementing the Group's strategy and corporate policies. The Chief Executive Officer is Ms. Wong Mei Wai, Alice, who is responsible for the implementation of business strategy and policies, day-to-day management and monitoring of the performance of Group.

BOARD COMMITTEES

The Board has established three Board Committees, namely the Audit Committee (the "Audit Committee"), the Remuneration Committee (the "Remuneration Committee") and the Nomination Committee (the "Nomination Committee"). All three Board Committee are established, empowered and accountable for duties under relevant terms of references which are available on the Company's and SEHK's websites.

All Directors (including independent non-executive directors) bring valuable business experience, knowledge and expertise from different areas to the Board facilitating it to operate efficiently and effectively. All Directors have full and timely access to all information of the Group and to the services and advice of the Company Secretary and senior management. The Directors may, where appropriate, seek independent professional advice for performing their duties of the Group, at the expense of the Group. Directors shall disclose the details of their other duties to the Group and the Board of Directors regularly reviews the contributions of the Directors in the discharge of their duties with the Group.

Audit Committee

The Board has establish an Audit Committee in compliance with the code provision of the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

For the financial year ended 31 March 2020, the Audit Committee consists of three independent non-executive directors, namely Mr. Ko Ming Tung, Edward, Mr. Cheng King Hoi, Andrew and Mr. Chan Kee Huen, Michael who is chairman of the Audit Committee and has professional qualifications and experience in accounting and financial management as stipulated in the listing rules.

The Audit Committee's terms of reference in writing was adopted by the Company pursuant to the Board Resolution passed on 21 September 2018 and updated on 17 January 2019. The terms of reference requires that the Audit Committee must hold meetings twice a year and the necessary quorum shall be at least two, including an independent non-executive Director.

The main responsibilities of the Audit Committee include, but not limited to:

1. Making recommendations to the Board on the appointment, reappointment, resignation, dismissal and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditor; review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process;

2. Review of financial information of the Group, including changes in accounting policies and practice, major judgemental areas, going concern consideration, compliance with accounting standards and listing rules in relation to financial reporting;

3. Oversight of the Company's financial reporting system, including review of the adequacy of resources, qualifications and experience of Accounting Staff, and their training programmes and budget of the Company's accounting and financial reporting function;

4. Review and monitor the effectiveness and adequacy of the Group's risk management and internal control measures; ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor the effectiveness of the internal audit function;

5. Regularly report observations and make recommendations to the board (if any).

The Audit Committee also acts as the Corporate Governance function of the Group, and is mainly responsible for:

- developing and reviewing the corporate governance policies and practices of the Company and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of directors and senior management;
- reviewing and monitoring the policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct applicable to employees and directors; and
- reviewing the Company's compliance with the Corporate Governance Code set out in Appendix 14 of the Listing Rules and disclosure in the Corporate Governance Report.

For the financial year ended 31 March 2020, the audit committee has performed its main duties, including (1) review and advise on the Group's interim and annual reports and results announcements, the relevant accounting policies and estimates adopted by the Group; (2) review the risk management and risk assessment process and operating results of the Group; (3) review the internal control procedures adopted by the Group, the internal control review report, and providing suggestions and comments thereon; and (4) review the effectiveness of the internal audit function and provide suggestions and comments thereon; (5) ensure that sufficient and relevant trainings are received by the Directors and staff; and (6) discuss and confirm with Management that the Group has complied with applicable laws and regulations, in all material aspects.

For the financial year ended 31 March 2020, the Audit Committee has held 3 meetings and the attendance of the members is as follows:

Audit Committee	Number of Attendance/ Number of Audit Committee meeting
Independent Non-Executive Directors	
Mr. Chan Kee Huen, Michael *(Chairman of Audit Committee)*	3/3
Mr. Ko Ming Tung, Edward	3/3
Mr. Cheng King Hoi, Andrew	3/3

The Company Secretary is also the company secretary of Audit Committee and is responsible for maintaining full minutes of the Audit Committee which are open for inspection at any reasonable time on reasonable notice by any of our director.

Remuneration Committee

The Board has establish our Remuneration Committee on 21 September 2018 in compliance with the code provision of the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

For the financial year ended 31 March 2020, the Remuneration Committee consists of five members, including one executive Director, one non-executive Director and three independent non-executive Directors. The Remuneration Committee is chaired by an independent non-executive Director, Mr. Ko Ming Tung, Edward and consisted of a majority of independent non-executive Directors as stipulated in the listing rules.

The Remuneration Committee's terms of reference in writing was adopted by the Company pursuant to the Board Resolution passed on 21 September 2018. The terms of reference requires that the Remuneration Committee must hold meeting at least once a year and the necessary quorum shall be at least two, including an independent non-executive Director.

The Company adopts the remuneration committee model set out in B.1.2 (c) (i) of Appendix 14 of the Listing rules. Accordingly, the Remuneration Committee is responsible for making recommendations to the Board regarding the Company's remuneration policy. It has the delegated responsibility for the formulation, determination and review of the remuneration packages of Directors and Senior Management.

The main responsibilities of the Remuneration Committee include, but not limited to:

- making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- determining the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payment;
- reviewing and approving performance-based remuneration and discretionary bonus;
- considering and approving the grant of share options and share appreciation rights to eligible participants;
- ensuring that no director can solely determine his/her own remuneration.

For the financial year ended 31 March 2020, the Remuneration Committee has held one meeting to review and approve the remuneration packages of the Directors and Senior Management of the Group and assesses the performance of the Executive Directors and other related matters.

Remuneration Committee	Number of Attendance/ Number of Remuneration Committee Meeting
Independent Non-Executive Directors	
Mr. Ko Ming Tung, Edward *(Chairman of Remuneration Committee)*	1/1
Mr. Chan Kee Huen, Michael	1/1
Mr. Cheng King Hoi, Andrew	1/1
Non-Executive Directors	
Mr. Choi Siu Wai, William	1/1
Executive Directors	
Ms. Wong Mei Wai, Alice	1/1

The Company Secretary is also the company secretary of Remuneration Committee and is responsible for maintaining full minutes of the Remuneration Committee which are open for inspection at any reasonable time on reasonable notice by any of our director.

Nomination Committee

The Board has establish our Nomination Committee on 21 September 2018 in compliance with the code provision of the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

For the financial year ended 31 March 2020, the Nomination Committee consists of five members, including one executive Director, one non-executive Director and three independent non-executive Directors. The Nomination Committee is chaired by the chairman of the Board, Mr. Choi Siu Wai, William and consisted of a majority of independent non-executive Directors as stipulated in the listing rules.

The Nomination Committee's terms of reference in writing was adopted by the Company pursuant to the Board Resolution passed on 21 September 2018. The terms of reference requires that the Nomination Committee must hold meeting at least once a year and the necessary quorum shall be at least two, including an independent non-executive Director.

The main responsibilities of the Nomination Committee include, but not limited to:

- reviewing the structure, size, composition and diversity (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service) of the Board at least annually or when necessary;
- identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of the independent non-executive Directors and any proposed independent non-executive Directors;
- making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors;
- reviewing the Board diversity policy, as appropriate and making recommendations on any required changes to the board for consideration;
- reviewing the measurable objectives under the board diversity policy and the progress of the attainment of the objectives, so as to ensure effective implementation and make disclosure of its review results.

Nomination Policy

The Board has adopted a Nomination Policy setting out the selection criteria and procedures to select and recommend suitable candidates for directorship. Following the Nomination Policy, the Nomination Committee is required to consider a variety of factors in assessing the suitability of a proposed candidate, including but not limited to the following criteria:

- Board Diversity Policy;
- Reputation for integrity;
- Sufficient commitment in time and interest to the Group;
- Qualification, experience and achievements that are relevant and appropriate to the Group's business;
- Independence for the appointment of independent non-executive Director; and
- any other relevant and significant factors as may be considered by the Nomination Committee and/or the Board.

Board Diversity Policy

The Board has approved and adopted a board diversity policy effective since 1 June 2019 and has delegated to the Nomination Committee the responsibilities of implementation, monitoring and review of the policy.

The Board believes that diversity of the Board can be achieved through consideration of a number of factors when deciding on appointments of Directors, including but not limited to skills, regional and industrial experience, cultural and educational background, professional qualifications, race, gender, age and length of service and any other factors that the Board deems appropriate from time to time.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable objective

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

The Company will also take into account factors based on its own business model and specific needs from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Implementation and Review

Annually, The Nomination Committee reviews the Board's composition under diversified perspectives, including but not limited to progress on achieving any measurable objectives that have been set for Policy implementation.

The Nomination Committee also has the responsibility for identifying suitably qualified candidates to become members of the Board and, in carrying out such responsibility, will give adequate consideration to the Board Diversity Policy.

The Nomination Committee will review the Policy on a regularly basis, as appropriate, to ensure the effectiveness of the Policy and recommend any such revisions to the Board for consideration and approval.

For the financial year ended 31 March 2020, the Nomination Committee has held one meeting to review the Board's composition, structure, size and diversity; and is of the view that the Board consisted of members with balanced and diversified attributes, such as gender, age, education background, professional qualifications, experience, skills and knowledge.

Nomination Committee	Number of Attendance/ Number of Nomination Committee Meeting
Non-Executive Directors and Chairman of the Board	
Mr. Choi Siu Wai, William *(Chairman of Nomination Committee)*	1/1
Independent Non-Executive Directors	
Mr. Ko Ming Tung, Edward	1/1
Mr. Chan Kee Huen, Michael	1/1
Mr. Cheng King Hoi, Andrew	1/1
Executive Directors	
Ms. Wong Mei Wai, Alice	1/1

The Company Secretary is also the company secretary of Nomination Committee and is responsible for maintaining full minutes of the Nomination Committee which are open for inspection at any reasonable time on reasonable notice by any of our director.

DIRECTORS' TRAINING AND CONTINUOUS DEVELOPMENT

Our policy requires that each new Director is given formal, comprehensive and customized induction training at the time of first appointment to ensure their proper understanding of the Group's business and operations, and sufficient awareness of the Directors ' duties and responsibilities under the listing Rules and related regulations.

The Group provides professional training to Directors to keep them up to date on the Listing Rules and other applicable regulatory requirements as well as the Group's business and governance policies.

Every newly appointed director received a comprehensive, formal and tailored induction on appointment, and subsequently, received briefing and professional development necessary to ensure that he has a proper understanding of the Group's operations and business and is fully aware of his responsibilities under statue and common law, the Listing Rules, legal and other regulatory requirements and the Group's business and governance policies. In addition, Non-Executive Director and Independent Non-Executive Directors visited the major subsidiaries of the Company and meet the management of those subsidiaries. During the visits, the Directors received presentations from the management of subsidiaries in relation to their updated development and performance.

During the year ended 31 March 2020, the Directors participated in the following continuous professional development:

	Types of training
Executive Directors	
Ms. Wong Mei Wai, Alice	A, B
Mr. Chung Sam Kwok Wai	A, B
Mr. Siu Yik Ming	A, B
Non-Executive Director	
Mr. Choi Siu Wai, William	A, B
Independent Non-Executive Directors	
Mr. Chan Kee Huen, Michael	A, B
Mr. Cheng King Hoi, Andrew	A, B
Mr. Ko Ming Tung, Edward	A, B

A: attending seminars, conferences and/or briefings on directors' duties and corporate governance, regulatory updates, and financial and economic development

B: reading regulatory updates, newspapers, journals, and other business, financial and economic publications

The Directors are also required to disclose to the Company annually the number and nature of offices held in public companies or organizations and other significant commitments with an indication of the time involved. The Board is satisfied that all our Directors has devoted sufficient time and attention to their duties and the Company's affairs.

Non-Executive Directors and Independent Non-Executive Directors provide the Group with diversified expertise and experience. Their views and participation in Board and Board committees meetings bring independent judgement and advice on issues relating to the Group's strategies, performance and management process, to ensure that the interests of all shareholders are taken into account and safeguarded.

The Board periodically reviews the Company's practices on corporate governance, compliance with the CG Code, training and continuous professional development of Directors, and the disclosures in this report.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors are aware of their obligations to prepare consolidated financial statements for the financial year ended 31 March 2020, to reflect a true and fair financial position, results and cash flows of the Group for the year then ended, and the proper preparation of financial statements on an on-going basis in accordance with applicable statutory requirements and accounting standards. The Directors are not aware of any material uncertainties that may affect the business of the Group or raise significant questions about the Group's ability to operate on an on-going basis.

COMPANY SECRETARY

For the year ended 31 March 2020, Ms Chan Yuet Kwai was the Company Secretary of the Company. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants and has also taken not less than 15 hours of relevant professional training for the financial year ended 31 March 2020 in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHT

The Board and management are committed to meeting and communicating with shareholders through the annual general meeting of the Group, listening to shareholder opinions and answering questions from shareholders about the Group and its business. The Chairman of the board, the Directors and senior management will attend the annual general meeting of the Group to answer questions from shareholders. Notice of the annual general meeting is sent to the shareholders at least 20 clear business days before the holding of the annual general meeting.

Extraordinary general meeting may be convened by the Board on requisition of Shareholders holding not less than one-tenth of the paid up capital of the Company or by such shareholders who made the requisition (the "Requisitionists") (as the case may be) pursuant to the articles of association of the Company. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders should follow the requirements and procedures as set out in such article for convening an extraordinary general meeting. Shareholders may put forward proposals with general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

If within 21 days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the Requisitionist(s), may convene a meeting in the same manner within two months form the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

DIVIDEND POLICY

The Board has adopted a dividend policy effective since 1 January 2019 and continued to apply the policy for the financial year ended 31 March 2020.

The Board considers sustainable returns to shareholders whilst retaining adequate reserves for the Group's future development to be an objective. Under the dividend policy adopted by the Company, dividends may be recommended, declared and paid to shareholders from time to time.

In summary, the declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, the following factors:

- the group's actual and expected financial results;
- the general economic conditions and other internal or external factors that may have impact on the business or financial performance and position of the Group;
- the Group's business operation strategy, including expected working capital requirements, capital expenditure requirements and future development plans;
- the Group's cash flow and liquidity position;

- retained earnings and distributable profit reserves of the Group;
- contractual restrictions on the payment of dividends imposed by the Group 's lenders and other institutions;
- effects on the Group's creditworthiness;
- interest of shareholders;
- applicable statutory and regulatory restrictions; and
- any other factors that the Board considers to be applicable from time to time.

Depending on the financial conditions of the Company and the Group and the factors as set out above, dividends may be proposed and/or declared by the Board for a financial year or period:

- interim dividend;
- final dividend;
- special dividend; and
- any distribution of profits that the Board may deem appropriate.

The payment of dividend is subject to any restrictions under the Laws of Hong Kong and Cayman Islands and the Company's Articles of Association.

The Company does not have any pre-determined dividend distribution proportion or distribution ratio. The declaration, payment and amount of dividends will be subject to the Board's discretion and there are no assurance that dividends will be declared and/or paid in any particular amount for any given period.

Any dividend for a financial year will be subject to shareholders' approval.

The Board will review the Dividend Policy on a regular basis.

AUDITOR'S STATEMENT AND REMUNERATION

A statement by the Group's auditors on their reporting obligations in respect of the Group's financial statements for the year ended 31 March 2020 is set out in the "Report of the Independent Auditor" section of this report.

An analysis of the remuneration of the external auditor, Messrs BDO Limited of the Company for the year ended 31 March 2020 is set out below:

	Amount of Fee For the year ended 31 March	
	2020	2019
	HK$	HK$
Annual audit services	1,180,000	1,180,000
Non-audit services	180,000	183,400
Total	1,360,000	1,363,400

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for establishing and maintain an effective and adequate risk management and internal control systems.

The Board aims to minimize the risks rather than eliminate them entirely. Accordingly, the Board has a risk management system, including performance of a risk assessment for reviewing the key risk areas and determining appropriate risk mitigation strategies. The Group has also taken sufficient steps to identify, assess, update and monitor certain particular risks associated with its financial, operational and compliance activities.

The Group does not have an internal audit department. The Group has engaged an independent professional internal control consultant firm (the "Internal Control Consultant") to review the key business process and internal control systems, policies and procedures from financial, operational and compliance aspect. The Internal Control Consultant has conducted the review on on-going basis and independently reported the findings and recommendations to the Audit Committee.

The Board and the Audit Committee have reviewed the need for an internal audit function and consider it more cost-effective to appoint external independent professionals to independently review and continuously evaluate the Group's internal monitoring systems and risk management systems, taking into account the size and nature of the Group. The Board will review the need for an internal audit function at least once a year.

Overall, the Board and the Audit Committee consider that the risk management and internal control system of the Group are effective and adequate. The Board will continue to assess the effectiveness and adequacy of risk management and internal controls through consideration of the reviews and recommendations made by the Audit Committee, Senior Management and Internal Control consultant.

INSIDE INFORMATION

The Company has established an inside information policy setting forth the procedures and internal controls for the defining, safeguarding, handling and dissemination of inside information in accordance to the Securities and Futures Ordinance (Cap. 571) (the "SFO") Part XIVA. The key provisions of the policy include, but not limited to:

1. All Directors, senior management and employees are required to report potential inside information, as soon as they are aware of the information, to the Chairman, the Chief Financial Officer and/or Company Secretary who serve as an official channel for informing all members of the Board;

2. The Board, as soon as they are aware of the information, is collectively responsible for assessing potential inside information and documenting their assessment in respect of the confidentiality measures, safe harbour application, disclosure requirement and impact on the price of the Company's securities;

3. All Directors, senior management and employees, and relevant persons who might have access to the inside information are required and reminded not to deal in the Company's securities when they are in possession of unpublished inside information.

4. All Directors, senior management and employees, and relevant persons who might have access to the inside information must take reasonable due care for safeguarding the confidentiality of unpublished inside information;

5. All Directors are responsible for ensuring timely, fair and comprehensive dissemination of inside information, in principle of maintaining a fair and informed market, including issuing announcements and/or requesting trading halt in situation of unexpected and significant event.

INVESTORS' RELATIONSHIP

The Group has a number of channels of communication with shareholders and public investors to ensure that they are kept up to date with the latest news and developments of the Group. The Group provides shareholders with up-to-date information on the Group's development, financial results and major events through annual, half-yearly reports. All published information is uploaded to the Group's website at http://www.sterlingapparel.com.hk.

Shareholders may also submit enquiries to management and make recommendations to the Board or senior management at the Shareholders' Meeting. Shareholders' enquiries about their shareholdings can be directed to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited. Other shareholders' enquiries can be directed to the Company's Secretarial Department or the Company Secretary of the Company by post to the principal office of the Company at 18–19/F., Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong or by email to our Company.

The Articles of Association of the Group remains unchanged since the Listing date.

Report of the Directors

The Board of Directors (the “Board”) of Sterling Group Holdings Limited (the “Company”) presents its report together with the audited financial statements of the Company and its subsidiaries (together, the “Group”) for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company’s subsidiaries are manufacturing and trading of apparel products and licensing of trademark.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 54 of this Annual Report.

No interim dividend was paid for the six months ended 30 September 2019.

The Board does not recommend payment of a final dividend to Shareholders of the Company for the year ended 31 March 2020.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2020 is set out in the section headed “Management Discussion and Analysis” on pages 7 to 13 of this Annual Report.

MAJOR RISKS AND UNCERTAINTIES

The following are the principal risks and uncertainties facing the Company as required to be disclosed pursuant to the Companies Ordinance (Chapter 622 of the laws of Hong Kong):

1. Economic climate and individual market performance

The impact of economic conditions on consumer confidence and buying habits would affect sales and results of the Group. The economic growth or decline in our geographical markets that affect consumer spending on garments would also affect our business. The Group continues to implement its strategies to develop and strengthen penetration of different geographical markets thereby reducing its dependency on specific markets.

2. Customers’ credit risk

The exposure to credit risk by the Group, which will cause a financial loss due to failure to discharge an obligation by the counterparties, arises from the carrying amounts of the recognized financial assets as stated in the consolidated statement of financial position.

The Group only extends credit to customers based on careful evaluation of the customers’ financial conditions and credit history. Credit sales of products are made to customers with an appropriate credit history. In addition, the Group reviews the recoverable amount of debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Details of the customers’ credit risk are set out in Note 37(b)(ii) to the consolidated financial statements.

3. Liquidity risk

In management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures adequacy of financial resources for operations' need and compliance with the relevant loan covenants.

Details of liquidity risk are set out in Note 37(b)(iii) to the consolidated financial statements.

4. Currency risk

The Group has foreign currency transactions and foreign currency borrowings, which expose the Group to foreign currency risk. The Group manages and monitors foreign exchange exposure to ensure appropriate measures are implemented on a timely and effective manner.

Details of the currency risk are set out in Note 37(b)(i) to the consolidated financial statements.

5. Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to floating-rate bank balances and bank borrowings. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises.

Details of interest rate risk are set out in Note 37(b)(iv) to the consolidated financial statements.

6. Capital Risk

The Group manages its capital structure and makes adjustments in response to changes in economic conditions, if and when necessary.

Details of capital risk are set out in Note 37(c) to the consolidated financial statements.

ENVIRONMENTAL POLICIES, COMPLIANCE WITH LAWS AND REGULATIONS

The Group is dedicated to maintaining sustainable working practices and pay close attention to ensure all resources are efficiently utilised with minimal impact on our environments. Details on the Group's environmental policies and performance can be found in the Environmental, Social and Governance Report which will be published in the Company's and SEHK's websites.

The Group has established various management systems and measures such as internal control and staff training to ensure its compliance with laws and regulations in relation to the Group's business and operation. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Group has no material breach of laws and regulations that has a material impact on the Group's business and operation during the year ended 31 March 2020.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years ended 31 March 2020 is set out on page 136.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in Note 18 to the consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2020 are set out in Note 35 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 31 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and of the Company during the year are set out on page 56 in the consolidated statement of changes in equity and Note 32 to the consolidated financial statements respectively.

No distributable reserves of the Company as at 31 March 2020, calculated in accordance with the Companies Law (Cap.22) (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme upon the passing the written resolutions of our shareholders on 21 September 2018 (the "Share Option Scheme"). Pursuant to the Share Option Scheme, our 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 (the "Listing Date"), all conditions set forth have been satisfied. No share options has been granted under the Share Option Scheme since its adoption.

(1) Purpose

The purpose of the Share Option Scheme is to enable the Board to grant options to Eligible Persons (as defined below) as incentives or rewards for their contribution or potential contribution to the Group and to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to the Group.

(2) Eligible persons

"Eligible Persons" refer to (i) any employee or proposed employee (whether full time or part time, including any director) of any member of the Group or invested entity; and (ii) any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder or other participants who contributes to the development and growth of the Group or any invested entity.

(3) Total number of shares available for issue

A maximum of 80,000,000 Shares, being 10% of the total number of Shares in issue as at the date of this annual report, may be issued upon exercise of all options to be granted under the Share Option Scheme.

(4) Maximum entitlement of each eligible person

Unless approved by the Shareholders in general meeting and subject to the following paragraph, the maximum number of Shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to any one person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue from time to time.

Options granted to a substantial Shareholder or an INED or any of their respective associates (as defined in the Listing Rules) in any 12-month period up to and including the date of such grant (a) representing in aggregate over 0.1% of the total number of Shares in issue; and (b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million, must be approved by the Shareholders in a general meeting in advance.

(5) Option period

Subject to the rules of the Share Option Scheme, an option may be exercised in whole or in part by the grantee at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than ten years commencing on the date of the offer letter and expiring on the last day of such ten-year period.

(6) Minimum vesting period

No minimum period for which an option must be held before the exercise of any option save as otherwise imposed by the Board in the relevant offer of options.

(7) Payment on acceptance of the option

Participants of the Share Option Scheme are required to submit to the Company a duly signed offer letter within 21 days from the offer date together with a payment in favour of the Company of HK$1 per option as the consideration of the grant.

(8) Basis of determining the exercise price

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by the Board, and shall be at least the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date (the "Offer Date"), which must be a trading day, on which the Board passes a resolution approving the making of an offer of grant of an option to an Eligible Person;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the Offer Date; and

(iii) the nominal value of a Share on the Offer Date.

(9) Remaining life

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years commencing on the date of adoption of the Share Option Scheme, after which period no further options shall be granted. All options granted and accepted and remaining unexercised immediately prior to the expiry of the Share Option Scheme shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

Since the adoption of the Share Option Scheme, no option has been granted under the Share Option Scheme. Therefore, no option was exercised or cancelled or has lapsed during the year ended 31 March 2020 and there was no outstanding option as at 31 March 2020.

BANK BORROWINGS

Details of the bank borrowings of the Group are set out in Note 28 to the consolidated financial statements.

DIRECTORS

The directors of the Company (the "Directors") who held office during the year and up to the date of this report are:

Executive Directors:

Ms. Wong Mei Wai, Alice *(Chief Executive Officer)*
Mr. Chung Sam Kwok Wai *(Chief Financial Officer)*
Mr. Siu Yik Ming

Non-Executive Director:

Mr. Choi Siu Wai, William *(Chairman of the Board)*

Independent Non-Executive Directors:

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

For compliance with Code Provision A.4.2 set out in the Corporate Governance Code of the Listing Rules and in accordance with Article 84 of the Company's Articles of Association, Ms. Wong Mei Wai Alice, Mr. Siu Yik Ming and Mr. Chung Sam Kwok Wai will retire by rotation and, being eligible, offer themselves for re-election as Directors at the forthcoming 2020 AGM.

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence and considers that each of the Independent Non-Executive Directors is independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS OF SUBSIDIARIES

During the Year and up to the date of this directors' report, each of Messrs. Wong Mei Wai Alice, Siu Yik Ming, Chung Sam Kwok Wai, and Choi Siu Wai William holds directorship in certain of the Company's subsidiaries. Other directors of the Company's subsidiaries during the Year and up to date of this directors' report include Messrs. Siu Chi Wai, Kan Wai Sing, Mok Chi Ho Don Simon, Tse Chau Yin, Wickramasingha Senanayake Appuhamillage Wipul Abayanaga Senanayake

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management of the Group as at the date of this report are set out on pages 14 to 18.

INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVE

As at 31 March 2020, 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 Future Commission ("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 our Company and SEHK pursuant to the Model Code, were as follows:

Interests and/or short positions in our Company

Director	Nature of interest	Number of Shares held[1]	Percentage of Interest in our 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. These shares are owned by Moonlight Global Holdings Limited. Moonlight Global Holdings Limited, a controlled corporation of our 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 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 our Directors nor the chief executive of our 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.

ARRANGEMENT TO ACQUIRE SHARES

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Options", at no time during the year or at the end of the year was the Company a party to any equity-linked agreements.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for a term of three years, which is subject to retirement by rotation and re-election in accordance with the Articles of Association, and may be terminated by either party upon a three-months prior written notice. Each of NED and INEDs has entered into an appointment letter with the Company for a term of three years, which is subject to retirement by rotation and re-election in accordance with the Articles of Association, and may be terminated by either party upon a one-month prior written notice. The service contracts and appointment letters are automatically renewed upon expiration.

None of the Directors proposed for re-election at the 2020 AGM has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" in this Report of the Directors and Note 36 to the consolidated financial statements, no transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which any of the Company's Director or an entity connected with the Director or controlling shareholder or its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2020 or at any time during the year ended 31 March 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 March 2020, none of the Directors had any interest in business apart from the Group's businesses which competed, or was likely to compete, either directly or indirectly, with the Group's businesses under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKING

Each of CFL Global (Comercial Offshore De Macau) Limitada, C.F.L. Enterprise Limited, Rainbow Galaxy Limited and Mr. William Choi, and each of Moonlight Global Holdings Limited, Mr. Siu Chi Wai, Ms. Wong Mei Wai Alice, and Mr. Siu Yik Ming have confirmed to the Company of his/her/its compliance with the non-competition undertakings provided to the Company under two separate deeds of non-competition 21 September 2018. They also further confirmed that all the undertakings under the Deeds of Non-competition had been complied with by the above-mentioned persons and duly enforced during the year ended 31 March 2020.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2020, so far as our Directors are aware, the following persons had an interest or short position in the Shares or the underlying Shares as recorded in the register required to be kept under section 336 of the SFO or which were required to be disclosed to our 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 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 our 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 of the Company 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 our 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 annual report, the Directors are not aware of any other person had a beneficial interest or short position in the Shares as recorded in the register required to be kept under section 336 of the SFO or the underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group employed 2,279 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 our new employees. During the year ended 31 March 2020, the Group had not experienced any strike, any significant problems with its employees or other material labour disputes which had materially disrupted its operation. The Group has not experienced any difficulties in the recruitment of experienced and skilled staff.

PERMITTED INDEMNITY PROVISION

Pursuant to Article 164 of the Company's Articles of Association, the Directors shall be indemnified out of the assets of the Company from liabilities which they may incur by reason of the execution of their duties, unless such indemnification provision is avoided by any provisions of the applicable laws of the Cayman Islands.

The Company maintains an insurance policy for directors' and officers' liability for the year.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of revenue from sales of goods or rendering of services attributable to the Group's largest customer and the five largest customers combined were 62.6% and 99.3% respectively of the Group's total sales for the year.

The aggregate purchases attributable to the Group's largest and five largest suppliers combined were 38.0% and 57.6% respectively of the Group's total purchases for the year.

None of the Directors, their close associates, or any shareholder (who to the knowledge of the Directors owns more than 5% of the number of issued shares of the Company) had, at any time during the year, a beneficial interest in any of the Group's five largest customers or suppliers.

CONTINUING CONNECTED TRANSACTIONS

On 8 February 2018, Sterling Apparel Limited ("SAL"), an indirectly wholly-owned subsidiary of the Company, as tenant, entered into three tenancy agreements (the "TAs") with Win 18 Limited ("Win 18"), Win 19 Limited ("Win 19") and Win 20 Limited ("Win 20"), the landlords, for the leasing of the premises at 18th to 20th Floors respectively, Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong, together with the six car parking spaces of No. 310 to 315 for a term from 8 February 2018 to 31 January 2021.

Win 18, Win 19 and Win 20 are all companies incorporated in Hong Kong which are wholly owned by Winfield Group Limited ("Winfield"). Winfield is owned as to 50% by Moonlight and as to 50% by Rainbow Galaxy. Moonlight and Rainbow Galaxy are the Controlling Shareholders of our Company. As such, each of Win 18, Win 19 and Win 20 are connected persons of our Company as defined under Chapter 14A of the Listing Rules. Accordingly, the entering into of the TAs constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules (the "Continuing Connected Transactions").

Details of the TAs were as follows:

(1) Tenancy Agreement between SAL and Win 18

The premises:	18th Floor, Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong, together with the car parking space of No. 310 & 311
Term:	From 8 February 2018 to 31 January 2021
Monthly rent:	HK$125,000 (excluding rates, government rents and management fees)
Rent free period:	From 8 February 2018 to 30 April 2018

Use of the premises rented: As ancillary office of the Company and certain of its subsidiaries

(2) Tenancy Agreement between SAL and Win 19

The premises:	19th Floor, Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong, together with the car parking space of No. 312 & 313
Term:	From 8 February 2018 to 31 January 2021
Monthly rent:	HK$125,000 (excluding rates, government rents and management fees)
Rent free period:	From 8 February 2018 to 30 April 2018

Use of the premises rented: As ancillary office of the Company and certain of its subsidiaries

(3) Tenancy Agreement between SAL and Win 20

The premises:	20th Floor, Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong, together with the car parking space of No. 314 & 315
Term:	From 8 February 2018 to 31 January 2021
Monthly rent:	HK$125,000 (excluding rates, government rents and management fees)
Rent free period:	From 8 February 2018 to 30 April 2018

Use of the premises rented: As ancillary office of the Company and certain of its subsidiaries

The terms of the TAs were arrived at after arm's length negotiations between SAL and Win 18, Win 19 and Win 20, and on the basis of the valuation made by an independent property valuer.

The annual caps for each of the financial years/periods are set out as follows:

Period	Annual Cap HK$
From 8 February 2018 to 31 March 2018	Nil
Year ended 31 March 2019	4,125,000
Year ending 31 March 2020	4,500,000
10 months ending 31 January 2021	3,750,000

As the TAs only commenced from 8 February 2018 and the rent free period under the TAs was from 8 February 2018 to 30 April 2018, there was no historical amount recorded for the year ended 31 March 2018. The annual cap and the annual rental paid by our Group under each of the TAs was HK$1,250,000 for the year ended 31 March 2020. For the year ended 31 March 2020, the rent paid under the TAs did not exceed the annual caps.

Further details of the Continuing Connected Transactions were set out in the section of "Connected Transaction" of the Company's Prospectus dated on 29 September 2018.

The Independent Non-Executive Directors have reviewed the Continuing Connected Transactions in accordance with Rule 14A.55 of Listing Rules and confirmed that during the year and up to the date of this report such transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms; and

(iii) in accordance with the TAs on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor was engaged to report on the Continuing Connected Transactions during the year in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing the auditor's findings and conclusion in respect of the Continuing Connected Transactions disclosed in Note 36 to the consolidated financial statements in accordance with Rule 14A.56 of the Listing Rules.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group are set out in Note 36 to the consolidated financial statements.

The tenancy agreements under Note 36 constituted continuing connected transactions for the Company under the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The remaining related party transactions under Note 36 were not connected transactions under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association and there are no restrictions against such rights under the laws of Cayman Islands (being the jurisdiction in which the Company was incorporated).

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

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

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained sufficient public float as required under the Listing Rules during the year and up to the date of this report.

CONTINGENT LIABILITIES

The Company executed corporate guarantees as part of the securities for general banking facilities granted to certain wholly-owned subsidiaries.

CORPORATE GOVERNANCE CODE

Throughout the year ended 31 March 2020, the Company has complied with all the Code Provisions set out in the CG Code. Further information of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 19 to 33.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry with all the Company's Directors, the Company has ascertained that all of its Directors have complied with the required standards set out in the Model Code throughout the year ended 31 March 2020.

POST BALANCE SHEET EVENT

Details of the post balance statements are set out in Note 39 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult their professional advisers.

AUDITOR

The consolidated financial statements have been audited by BDO Limited who will retire and, being eligible, offer themselves for reappointment.

On behalf of the Board
Choi Siu Wai, William
Chairman

Hong Kong, 21 July 2020

Independent Auditor's Report

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TO THE SHAREHOLDERS OF STERLING GROUP HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sterling Groups Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 54 to 135, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 3(b) to the consolidated financial statements, which indicates that Group incurred a loss of approximately HK$58,638,000 for the year ended 31 March 2020 and had net current liabilities of approximately HK$64,483,000 as of that date. These conditions, along with other matters as set forth in Note 3(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment assessment of property, plant and equipment, right-of-use assets and goodwill

Refer to Note 18. Property, Plant and Equipment, Note 33. Leases and Note 22. Goodwill to the consolidated financial statements.

The Group has reported significant net book value of property, plant and equipment, right-of-use assets and goodwill balances of HK$53,376,000, HK$37,538,000 and HK$18,148,000, respectively, as at 31 March 2020. The Group recognises its right to use assets for the lease term as the right-of-use assets in accordance with HKFRS 16 Leases, which was adopted as from 1 April 2019.

The Group has manufacturing and trading of apparel products as a cash generating unit ("CGU") based on business activities at an impairment test. An impairment test requires exercise of significant management judgement to determine the recoverable amounts of cash generating units ("CGUs"). The recoverable amounts of CGUs are based on the value in use calculations that require significant management judgement with respect to determining the pre-tax discount rate and underlying cash flows, in particular with respect to future revenue growth rates and operating costs on the business plans approved by the management for the following years.

Based on the management's impairment assessments, no impairment loss relating to the property, plant and equipment, the right-of-use assets and the goodwill was recorded for the year.

We identified this matter as the key audit matter in our audit given that the net book values of property, plant and equipment, right-of-use assets and goodwill balances are material, and the future revenue growth rates and operating costs on the business plans for the following years, used to determine the recoverable amounts of the CGUs, are highly involved by the management judgement under the outbreak of the coronavirus ("COVID-19") since January 2020.

KEY AUDIT MATTERS *(Continued)*

Impairment assessment of property, plant and equipment, right-of-use assets and goodwill *(Continued)*

Our Response

Our procedures in relation to management's impairment assessment of property, plant and equipment, right-of-use assets and goodwill included:

- Obtained, understood and evaluated management's valuation methodology for impairment and value in use calculations;

- Assessed the reasonableness of key assumptions used in the calculation of discounted future cash flows, such as the pre-tax discount rate, revenue growth rate and operating cost structure, by reference to management's forecast, the Group's past performance and our knowledge of the Group's business and industry, taking into consideration the challenging business environment that the entire industry has to face;

- Evaluated the impact of COVID-19 especially in the key assumptions used in the calculation of discounted future cash flows, such as the impact to the business performance, in consideration with the governments' strategy for COVID-19;

- Agreed key assumptions to supporting evidence, such as the approved budgets upon which forecasts were based. We evaluated the reasonableness of using these as a basis for estimating future cash flows, in particular, for the CGUs that had lower headroom between the carrying values and the value in use;

- Tested mathematical accuracy of the calculation of value in use derived from each discounted future cash flow;

- Tested the calculation of the impairment loss by comparing the carrying amount of the CGU with the value in use, and verified the amount of loss was recognised for the year ended 31 March 2020; and

- Evaluated the appropriateness of the related disclosures including those relating to the key assumptions and sensitivities.

We determined the assumptions made by management in relation to the value in use calculations and the future cash flows to be supportable based on and consistent with the available evidence.

KEY AUDIT MATTERS *(Continued)*

Recoverability of receivables

Refer to Note 5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty and Note 24. Trade and Other Receivables to the consolidated financial statements.

As at 31 March 2020, the Group had a balance of trade receivables of approximately HK$190,085,000 (before provision) and a balance of other receivables of approximately HK$17,285,000 (before provision), with provision for impairment of approximately HK$52,762,000 and approximately HK$1,098,000, respectively (together, the "receivables"). The impairments were provided for those receivables which are subject to high collectability risk due to financial difficulty of the debtors, default in payments, relevant legal disputes and other indicators for a decrease in the estimated future cash flows.

The Group estimated impairment losses at year end based on the available information, including the financial position of the debtors, litigation progress, value of pledged assets, and credit risk of counterparties etc.

We focused on this area because the amount of impairment is significant to the consolidated financial statements and the significant judgements and estimates involved in assessing recoverability of the receivables.

Our Response

Our procedures in relation to management's impairment assessment of trade and other receivables included:

- Assessed and tested the design and operating effectiveness of key management controls over impairment assessment;
- For receivables with material balance, we obtained and read the agreements and the supplemental agreements, if applicable;
- For receivables with disputes, we checked the litigation progress, latest court decisions, and legal counsel's opinion whereas necessary;
- Checked the settlement history of the receivables as well as subsequent settlement after year end date on sample basis.
- We further evaluated management's assessment on impairment provisions on receivables with material balance by:
  - interviewing and collaborating with the Group's risk management department responsible for the collection of the receivables in disputes or for monitoring the status of the receivables to assess the rationale of making the accounting estimates;
  - assessing the financial position of the debtors, where information is available; and
  - assessing other alternative and available sources of settlement, including the value of the pledged assets or the financial status of the financial guarantors.

Based on our audit procedures performed, we found the management's assessment on impairment provision of receivables was supportable by evidence obtained.

OTHER INFORMATION IN THE ANNUAL REPORT

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

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

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

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

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

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Chow Tak Sing, Peter
Practising Certificate no. P04659

Hong Kong, 21 July 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	7	590,873	641,733
Cost of sales		(479,501)	(548,834)
Gross profit		111,372	92,899
Other revenue	8	3,830	4,807
Other gains and losses, net	9	(56,565)	398
Selling and distribution costs		(37,923)	(41,048)
General and administrative expenses		(70,280)	(62,257)
Listing expenses		–	(8,937)
Finance costs	10	(9,905)	(7,984)
Loss before income tax expense	11	(59,471)	(22,122)
Income tax credit/(expense)	14	833	(548)
Loss for the year		(58,638)	(22,670)
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(72)	993
Remeasurement (loss)/gain on defined benefit plan for the year		(142)	378
Other comprehensive (expense)/income for the year		(214)	1,371
Total comprehensive expense for the year		(58,852)	(21,299)
Loss and total comprehensive expense for the year attributable to owners of the Company		(58,852)	(21,299)
		HK cents	HK cents
LOSS PER SHARE			
– Basic and diluted	15	(7.33)	(3.29)

Consolidated Statement of Financial Position

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Prepaid insurance premium	17	7,968	8,358
Property, plant and equipment	18	53,376	49,738
Intangible assets	20	8,463	–
Convertible promissory note	21	3,214	–
Right-of-use assets	33	37,538	–
Payment for leasehold land held for own use under operating lease	19	–	23,329
Deferred tax assets	30	1,719	321
Goodwill	22	18,148	17,803
Total non-current assets		130,426	99,549
Current assets			
Inventories	23	34,659	37,094
Trade and other receivables	24	158,731	169,698
Tax recoverable		1,078	3,605
Cash and cash equivalents	25	47,836	75,687
Total current assets		242,304	286,084
Total assets		372,730	385,633
Current liabilities			
Trade, bills and other payables	26	65,609	77,305
Amounts due to related parties	27	1,113	–
Bank borrowings	28	231,439	190,443
Lease liabilities	33	8,626	–
Income tax payable		–	268
Total current liabilities		306,787	268,016
Net current (liabilities)/assets		(64,483)	18,068
Non-current liabilities			
Defined benefit obligation	29	2,355	2,073
Lease liabilities	33	6,896	–
Total non-current liabilities		9,251	2,073
NET ASSETS		56,692	115,544
Share capital	31	8,000	8,000
Share premium	31	66,541	66,541
Reserves	32	(17,849)	41,003
TOTAL EQUITY		56,692	115,544

The consolidated financial statements on pages 54 to 135 were approved and authorised for issue by the Board of Directors on 21 July 2020 and are signed on its behalf by:

Choi Siu Wai William
Chairman

Wong Mei Wai Alice
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2020

	Share Capital HK$'000 (Note 31)	Share Premium HK$'000 (Note 31)	Contributed reserve HK$'000 (Note 32)	Translation reserve HK$'000 (Note 32)	Remeasurement reserve HK$'000 (Note 32)	Retained earnings/ (accumulated losses) HK$'000 (Note 32)	Total equity HK$'000
Balance at 1 April 2018	–*	–	10,078	4	(118)	58,338	68,302
Loss for the year	–	–	–	–	–	(22,670)	(22,670)
Exchange difference arising on translation of foreign operations	–	–	–	993	–	–	993
Remeasurement gain on defined benefit plan for the year	–	–	–	–	378	–	378
Total comprehensive expense for the year	–	–	–	993	378	(22,670)	(21,299)
Effect on Reorganisation	–*	–	–	–	–	–	–*
Capitalisation Issue	6,000	–	(6,000)	–	–	–	–
Issuance of new shares upon listing	2,000	66,541	–	–	–	–	68,541
Balance as at 31 March 2019 and 1 April 2019	8,000	66,541	4,078	997	260	35,668	115,544
Loss for the year	–	–	–	–	–	(58,638)	(58,638)
Exchange difference arising on translation of foreign operations	–	–	–	(72)	–	–	(72)
Remeasurement loss on defined benefit plan for the year	–	–	–	–	(142)	–	(142)
Total comprehensive expense for the year	–	–	–	(72)	(142)	(58,638)	(58,852)
Balance as at 31 March 2020	8,000	66,541	4,078	925	118	(22,970)	56,692

* Represents amount less than HK$1,000

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	2020 HK$'000	2019 HK$'000
Cash flows from operating activities		
Loss before income tax (credit)/expense	(59,471)	(22,122)
Adjustments for:		
Depreciation of property, plant and equipment	9,669	11,618
Depreciation of right-of-use assets	9,447	–
Amortisation of payment for leasehold land held for own use under operating lease	–	578
Provision for defined benefits plan	396	484
Fair value changes on prepaid insurance premium	390	(251)
Fair value changes on convertible promissory note	1,805	–
Interest income	(466)	(82)
Expected credit loss on trade and other receivables, net	53,067	515
Gain on disposal of property, plant and equipment	(169)	(2)
Impairment of intangible assets	2,387	–
Reversal of written down of inventories	–	(5)
Finance costs	9,905	7,984
Operating profit/(loss) before working capital changes	26,960	(1,283)
Decrease in inventories	2,466	2,653
Increase in trade and other receivables	(42,100)	(20,595)
Decrease in trade, bills and other payables	(12,444)	(6,441)
Increase in amounts due to related parties	1,113	–
Cash used in from operations	(24,005)	(25,666)
Settlement of defined benefit obligation	(261)	(180)
Income tax refunded/(paid)	1,715	(4,991)
Net cash used in operating activities	(22,551)	(30,837)
Cash flows from investing activities		
Interest received	466	82
Repayment from related parties	–	4,272
Purchases of property, plant and equipment	(14,162)	(2,621)
Proceeds from disposal of property, plant and equipment	347	2
Purchase of convertible promissory note	(3,875)	–
Purchases of intangible assets	(10,850)	–
Net cash (used in)/generated from investing activities	(28,074)	1,735

Consolidated Statement of Cash Flows

For the year ended 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Cash flows from financing activities	38		
Repayment to a related party		–	(1,049)
Repayment to shareholders		–	(8,428)
Payments of listing expenses		–	(17,820)
Proceeds from issue of new ordinary shares upon listings		–	80,000
Proceeds from bank borrowings		702,680	600,747
Repayment of bank borrowings		(661,684)	(607,480)
Repayment of principal portion of the lease liabilities		(8,678)	–
Interest paid		(9,905)	(7,984)
Net cash generated from financing activities		22,413	37,986
Net (decrease)/increase in cash and cash equivalents		(28,212)	8,884
Cash and cash equivalents at the beginning of year		75,687	66,536
Effect of change in foreign exchange rate		361	267
Cash and cash equivalents at the end of year		47,836	75,687
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash		47,836	75,687

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

1. GENERAL INFORMATION AND REORGANISATION

(a) General information

Sterling Group Holdings Limited ("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 and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 19 October 2018.

The registered office of the Company is located at the offices of Tricor Services (Cayman Islands) Limited, Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KYI-1103, Cayman Islands. Its principal place of business is 18–20/F., Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong. The ultimate controlling shareholders are Moonlight Global Limited and Rainbow Galaxy Limited.

The Company is an investment holding company and the Group is principally engaged in the provision of manufacturing and trading of apparel products and licensing of trademark in the markets of the United States of America ("USA"), Italy and United Kingdom ("UK").

(b) Reorganisation

Pursuant to a group reorganisation which was completed on 21 June 2018 as detailed in the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 29 September 2018 (the "Prospectus"), the Company became the holding company of the subsidiaries comprising the Group.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 April 2019

The HKICPA has issued a number of new or amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015–2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective for the financial year beginning on or after 1 April 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to sections (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 *(Continued)*

(i) Impact of the adoption of HKFRS 16 *(Continued)*

The following tables summarised the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 March 2019 to that of 1 April 2019 as follows (increase/(decrease)):

Consolidated statement of financial position as at 1 April 2019

	HK$'000
Right-of-use assets	45,975
Less: Prepaid lease payment	(23,329)
Total assets	22,646
Lease liabilities (non-current)	14,537
Lease liabilities (current)	8,743
Total liabilities	23,280

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 as at 31 March 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 April 2019:

Reconciliation of operating lease commitments to lease liabilities

	HK$'000
Operating lease commitments as at 31 March 2019	33,240
Less: Short term leases for which lease terms end within 31 March 2020	(286)
	32,954
Discounted using the lessee's incremental borrowing rate at the date of initial application	22,646
Add: Reclassification of payment for leasehold land held for own use under operating lease	23,329
Right-of-use assets recognised as at 1 April 2019	45,975

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the consolidated statement of financial position as at 1 April 2019 is 5.33%.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 *(Continued)*

(ii) The new definition of a lease

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected separate non-lease components and allocate the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component and the aggregate stand-alone price of the non-lease components.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the date of adoption of HKFRS 16, i.e. 1 April 2019.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 *(Continued)*

(iii) Accounting as a lessee *(Continued)*

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-of-use asset at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-of-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 *(Continued)*

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019. The comparative information presented in 2019 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 April 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 April 2019.

The Group has elected to recognise all the right-of-use assets at 1 April 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 April 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedient applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 April 2019) and accounted for those leases as short-term leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int 4.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 *(Continued)*

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKAS 19 – Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("LTI") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(a) Adoption of new/revised HKFRSs – effective 1 April 2019 *(Continued)*

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new or revised HKFRSs, potentially relevant to the Group's consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions.

An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Interest Rate Benchmark Reform

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainties caused by interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New/revised HKFRSs that have been issued but are not yet effective *(Continued)*

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

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 new and amendments to HKFRSs and an interpretation will have no material impact on the Group's financial performance and positions and/or the disclosures to the consolidated financial statements of the Group.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance which concern the preparation of consolidated financial statements. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

3. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values as explained in the accounting policies set out below.

The Group incurred a loss of approximately HK$58,638,000 (2019: HK$22,670,000) for the year ended 31 March 2020 and had net current liabilities of approximately HK$64,483,000 (2019: net current assets of approximately HK$18,068,000) as of that date. As at 31 March 2020, the Group's liabilities included bank borrowings with an outstanding principal amounting to approximately HK$231,439,000 (2019: HK$190,443,000) which is repayable on demand while the cash and cash equivalents and the net assets that the Group had as of that date were of approximately HK$47,836,000 (2019: HK$75,687,000) and of approximately HK$56,692,000 (2019: HK$115,544,000) respectively.

Following the outbreak of the coronavirus disease 2019 ("COVID-19") in January 2020, precautionary and control measures have since been implemented in various countries, which included entry restrictions and quarantine measures over international travel and the Group's operation located in the People's Republic of China was suspended for approximate one week in February 2020 and the Group's operation located in Sri Lanka was suspended from late March to the end of April 2020.

Afterwards, one of the major customers, with a gross carrying amount of approximately HK$120,355,000 outstanding to the Group as at 31 March 2020 as included in trade and other receivables (Note 24), filed a petition under chapter 11 of the United States Bankruptcy Code.

These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the above events or condition and are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of authorisation for issue of these consolidated financial statements, after taking into consideration of the following:

(i) The Group continues to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses in order to enhance its ability to improve profitability and the cash flow from its operation in future;

(ii) Subsequent to the end of the reporting period, the ultimate controlling shareholders provided additional funds of HK$34,000,000 for a term of two years with interest bearing at 10% per annum to the Group for daily operation purpose;

(iii) The directors of the Company would consider enlarging the capital base of the Company by conducting fund raising exercises such as share placement when necessary to improve the financial position of the Group;

3. BASIS OF PREPARATION *(Continued)*

(b) Basis of measurement and going concern assumption *(Continued)*

(iv) Up to the date of authorisation for issue of these consolidated financial statements, the Group had unutilised banking facilities of approximately HK$170,041,000. The directors of the Company have performed a sensitivity analysis on the loan covenants and are satisfied that the Group would be able to comply with the covenants over the forecast period; and

(v) The Group has entered into an ongoing trade agreement with that major customer and that customer has been able to honour the payment according to the repayment schedule. The directors of the Company have also made an assessment on the financial viability of that customer based on its current business conditions and are of the opinion that that customer has the ability to fulfil the ongoing trade agreement as well as to continue to carry out business transactions with the Group.

Based on the above, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amount, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

(c) Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollars (“HK$”), which is the same as the functional currency of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (the “Group”). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Business combination and basis of consolidation *(Continued)*

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

(c) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Intangible assets (other than goodwill)

Trademark acquired by the Group with an indefinite estimated useful life are stated at cost less impairment losses. Expenditure on internally generated brands is recognised as an expense in the period in which it is incurred. Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each of the reporting period. The useful lives are as follows:

Land and buildings	Over the shorter of the term of the lease or 20–50 years
Leasehold improvement	5 years
Plant and machinery	5–10 years
Furniture and fixtures	5 years
Office equipment	5 years
Computer equipment	3–10 years
Motor vehicles	5–10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected arise from the continued use of the asset.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Payments for leasehold land held for own use under operating leases (accounting policies applied until 31 March 2019)

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(g)A Leasing (accounting policies applied from 1 April 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g)A Leasing (accounting policies applied from 1 April 2019) *(Continued)*

Lease liability *(Continued)*

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(g)B Leasing (accounting policies applied until 31 March 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(i) Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. 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.

FVTPL: FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income ("FVTOCI"), as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments *(Continued)*

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on trade and other receivables and other financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

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

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

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

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating 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 analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be credit-impaired 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 1 year past due.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Financial Instruments *(Continued)*

(iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at FVTPL are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including trade, bills and other payables, amounts due to related parties, lease liabilities and bank borrowings are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

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

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Revenue recognition

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

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

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

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

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

Sales of apparel products and samples

Customers obtain control of apparel products when the goods are delivered to and have been accepted. Revenue is thus recognised upon the customers accepted the apparel products. There is generally only one performance obligation. 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.

Licensing income of trademark

The Group grants the licensees rights to use the Group's intellectual property. In return, the Group is entitled to minimum annual payments, which generally are paid by licensees before the commencement of the annual license periods. The minimum annual payments should be recognised at a particular point in time (being the commencement of each annual license period). The Group recognises additional revenue for the sales-based royalty when those subsequent sales occur.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Revenue recognition *(Continued)*

Other revenue

Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

Claims income is recognised when the defective raw materials from suppliers are discovered by the Group and right to receive such compensation is established.

Dividend income is recognised when the right to receive the dividend is established.

(k) Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for goods that the Group has transferred to a customer that is not yet unconditional.

It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset is recognised when the group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in Note 4(j) and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the group recognises the related revenue. A contract liability would also be recognised if the group has an unconditional right to receive consideration before the group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

(l) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of each of the reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Income taxes *(Continued)*

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(m) Foreign currencies

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the foreign exchange reserve.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits

(i) Short term employee benefits

Short-term employee costs are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to the Mandatory Provident Fund Scheme, Employees' Provident Fund, Employees' Trust Fund in Hong Kong and Sri Lanka respectively and PRC stated-managed retirement benefits scheme in the PRC are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Defined benefit retirement plan

Net obligation in respect of defined benefit retirement plans in Sri Lanka is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine the present value, and the fair value of any plan assets is deducted. The discount rate is the yield at the end of each of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligation. The calculation is performed annually using the projected unit credit method.

Gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to statement of other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

(iv) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Impairment of assets (other than financial assets)

At the end of each of the reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- intangible assets;
- property, plant and equipment;
- prepayment for leasehold land;
- payment for leasehold land held for own use under operating lease; and
- right-of-use assets

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under that HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probable with result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Cash and cash equivalents

Cash comprises cash in hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or 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.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(a) Critical judgment in applying accounting policies

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currency of the group entities, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the group entities are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) Key sources of estimation uncertainty

In addition to information disclosed elsewhere in these consolidated financial statements, other key sources of estimation uncertainty that have a significant risk of resulting a material adjustment to the carrying amounts of assets and liabilities within next financial year are as follows:

(i) Impairment of property, plant and equipment, right-of-use assets and intangible assets

If the circumstances indicate that the carrying values of these assets may not be recoverable, the assets may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36, Impairment of assets. Under HKAS 36, other property, plant and equipment and right-of-use assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable, while intangible assets with indefinite useful lives are tested for impairment annually. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs of disposal and value in use. In determining the recoverable amount, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling prices and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount. However, actual sales volume, selling prices and operating costs may be different from assumptions which may result in a material adjustment to the carrying amount of the assets affected.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(ii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

(iii) Estimated useful lives and residual values of property, plant and equipment

The Group's management determines the estimated useful lives and residual values for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives. It will write-off or written down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation expense in the future periods.

(iv) Estimated impairment of trade and other receivables

The Group recognises lifetime ECL and 12-month ECL basis for trade and other receivables based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

(v) Net realisable value of inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs necessary to mark the sale. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to the changes in market condition. Management reassesses these estimations at the reporting date.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(b) Key sources of estimation uncertainty *(Continued)*

(vi) Income taxes

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered.

(vii) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures the life insurance policy (Note 17) and convertible promissory note (Note 21) at fair value.

For more detailed information in relation to the fair value measurement of the item above, please refer to the Note 37 to the consolidated financial statements.

6. SEGMENT INFORMATION

Operating segments

The Group was principally engaged in the manufacturing and trading of apparel products and licensing of trademarks. Information reported to the Group's chief operating decision maker, 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 is available. The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Manufacturing and trading of apparel products.

– Licensing of trademark: the management and licensing of trademark for licensing income.

The Group's operations are mainly located in Hong Kong, the PRC and Sri Lanka.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets, current tax recoverable, cash and cash equivalents and other corporate assets. Segment liabilities include trade and other payables, amounts due to related parties, bank borrowings and lease liabilities with the exception of current tax payable, deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments.

The measure used for reporting segment profit or loss is "adjusted EBITDA", i.e. "adjusted earnings before interest, taxes, depreciation and impairment loss on trade and other receivables and non-current assets", where "interest" is regarded as including investment income. To arrive at adjusted EBITDA, the Group's earnings/losses are further adjusted for items not specifically attributed to individual segments, such as other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expenses from cash balances and bank borrowings managed directly by the segments, depreciation and impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segments sales are priced with reference to prices charged to external parties for similar orders.

6. SEGMENT INFORMATION *(Continued)*

Segment results, assets and liabilities *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2020 and 2019 is set out below:

	Manufacturing and trading of apparel products		Licensing of trademark		Total	
	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Revenue from external customers	590,034	641,733	839	–	590,873	641,733
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	590,034	641,733	839	–	590,873	641,733
Reportable segment profit/(loss)	27,086	(2,087)	(743)	–	26,343	(2,087)
Interest income	466	82	–	–	466	82
Interest expense	(9,905)	(7,984)	–	–	(9,905)	(7,984)
Depreciation of property, plant and equipment for the year	(9,669)	(11,618)	–	–	(9,669)	(11,618)
Depreciation of right-of-use assets for the year	(9,447)	–	–	–	(9,447)	–
Impairment loss on trade and other receivables	(53,031)	(515)	(36)	–	(53,067)	(515)
Impairment loss on intangible assets	–	–	(2,387)	–	(2,387)	–
Fair value changes on convertible promissory note	–	–	(1,805)	–	(1,805)	–
Reportable segment assets	309,258	306,020	12,839	–	322,097	306,020
Additions to non-current assets during the year	15,808	2,621	10,850	–	26,658	2,621
Reportable segment liabilities	314,519	269,821	1,519	–	316,038	269,821

6. SEGMENT INFORMATION *(Continued)*

Reconciliation of reportable segment revenue, profit, assets and liabilities

	2020 HK$'000	2019 HK$'000
Revenue		
Reportable segment revenue	590,873	641,733
Consolidated revenue	590,873	641,733
Profit		
Reportable segment profit/(loss)	26,343	(2,087)
Interest income	466	82
Depreciation of property, plant and equipment for the year	(9,669)	(11,618)
Depreciation of right-of-use assets for the year	(9,447)	–
Impairment loss on trade and other receivables	(53,067)	(515)
Impairment loss on intangible assets	(2,387)	–
Fair value changes on convertible promissory note	(1,805)	–
Finance costs	(9,905)	(7,984)
Consolidated loss before taxation	(59,471)	(22,122)
Assets		
Reportable segment assets	322,097	306,020
Deferred tax assets	1,719	321
Current tax recoverable	1,078	3,605
Cash and cash equivalents	47,836	75,687
Consolidated total assets	372,730	385,633
Liabilities		
Reportable segment liabilities	316,038	269,821
Current tax payable	–	268
Consolidated total liabilities	316,038	270,089

6. SEGMENT INFORMATION *(Continued)*

Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, convertible promissory note, right-of-use assets, deferred tax assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of other than prepaid insurance premium, and the location to which they are managed, in the case of intangible assets.

	Revenue from external customers		**Specified non-current assets**	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
Hong Kong (place of domicile)	**–**	–	**38,735**	16,984
USA	**530,309**	582,997	**–**	–
Italy	**53,919**	39,519	**–**	–
UK	**1,871**	11,680	**–**	–
PRC	**266**	–	**23,285**	14,504
Sri Lanka	**–**	–	**60,438**	59,703
Others *(Note)*	**4,508**	7,537	**–**	–
	590,873	641,733	**122,458**	91,191

Note: Others mainly includes Japan, Spain and Canada.

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue for the years ended 31 March 2020 and 2019 is as follows:

	2020 HK$'000	2019 HK$'000
Customer A	**369,990**	445,511
Customer B	**131,212**	130,073

7. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by significant category of revenue is as follows:

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of garments	590,034	641,733
Licensing and related income	839	–
	590,873	641,733
Major products and services		
Outerwear	268,866	242,126
Bottoms	198,621	249,076
Tops	43,042	32,980
Others *(Note)*	80,344	117,551
	590,873	641,733
Timing of revenue recognition:		
At a point in time	590,873	641,733
Transferred over time	–	–
	590,873	641,733

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

The Group's revenue represents the net invoiced value of goods sold and licensing income which recognised in accordance with accounting policy set out in Note 4(j).

The following table provides information about trade receivables from contracts with customers.

	2020 HK$'000	2019 HK$'000
Trade receivables *(Note 24)*	137,323	152,891

8. OTHER REVENUE

	2020 HK$'000	2019 HK$'000
Bank interest income	466	82
Sample sales income	2,874	3,789
Claims income	424	936
Government grant	66	–
	3,830	4,807

9. OTHER GAINS AND LOSSES, NET

The Group's other gains and losses, net, recognised during the reporting period are as follows:

	2020 HK$'000	2019 HK$'000
Expected credit loss on trade and other receivables, net	(53,067)	(515)
Impairment of intangible assets	(2,387)	–
Gain on disposal of property, plant and equipment	169	2
Fair value changes on prepaid insurance premium	(390)	251
Fair value changes on convertible promissory note	(1,805)	–
Exchange gains, net	915	660
	(56,565)	398

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest on bank borrowings		
– trust receipt loans	4,839	3,758
– term and revolving loans	4,002	4,224
– bank overdraft	7	2
Interest expenses on lease liabilities	1,057	–
	9,905	7,984

11. LOSS BEFORE INCOME TAX EXPENSE

The Group's operating loss is arrived at after charging/(crediting):

	2020 HK$'000	2019 HK$'000
Auditor's remuneration	1,180	1,180
Depreciation charges:		
– property, plant and equipment *(Note (i))*	9,669	11,618
– right-of-use assets	9,447	–
Amortisation of payment for leasehold land held for own use under operating lease *(Note (ii))*	–	578
Fair value changes on prepaid insurance premium	390	(251)
Fair value changes on convertible promissory note	1,805	–
Impairment of intangible assets	2,387	–
Expected credit loss on trade and other receivables	53,067	515
Cost of inventories recognised as expense *(Note (iii))*	479,501	548,829
Listing expenses	–	8,937
Short-term leases expenses	404	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17 in respect of		
– Motor vehicles	–	531
– Land and buildings	–	4,475
Employee costs *(Note (iv))*	143,472	137,879

(i) Depreciation charges of HK$6,805,000 (2019: HK$7,874,000) included in direct operating costs and HK$2,864,000 (2019: HK$3,744,000) included in general and administrative expenses.

(ii) Amortisation charges of nil (2019: HK$357,000) included in direct operating costs and nil (2019: HK$221,000) included in general and administrative expenses.

(iii) Cost of inventories recognised as expense includes HK$130,093,000 (2019: HK$140,680,000) of subcontracting charge, depreciation, amortisation charges, staff cost and manufacturing overhead, which are also included in the respective total amounts disclosed above for each types of expenses.

(iv) Employee costs of HK$79,025,000 (2019: HK$77,518,000) included in direct operating costs; HK$19,585,000 (2019: HK$20,855,000) included in selling and distribution costs; and HK$44,862,000 (2019: HK$39,506,000) included in general and administrative expenses.

12. EMPLOYEE COSTS

Employee costs (including directors' emoluments (Note 13(i)) comprise):

	2020 HK$'000	2019 HK$'000
Wages and salaries	121,914	117,852
Short-term non-monetary benefits	9,723	8,151
Contributions to defined contribution retirement plans	11,438	11,393
Contributions to defined benefit retirement plans	397	483
	143,472	137,879

13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS

(i) Directors' emoluments

Directors' emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) (the Regulation) are as follows:

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2020:				
Executive directors:				
Ms. Wong Mei Wai Alice	202	3,526	18	3,746
Mr. Siu Yik Ming	202	1,135	18	1,355
Mr. Chung Sam Kwok Wai	202	2,160	11	2,373
Non-executive director:				
Mr. Choi Siu Wai William	202	–	–	202
Independent non-executive directors:				
Mr. Chan Kee Huen Michael *(Note)*	202	–	–	202
Mr. Cheng King Hoi Andrew *(Note)*	202	–	–	202
Mr. Ko Ming Tung Edward *(Note)*	202	–	–	202
	1,414	6,821	47	8,282

13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(Continued)*

(i) Directors' emoluments *(Continued)*

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2019:				
Executive directors:				
Ms. Wong Mei Wai Alice	90	3,372	18	3,480
Mr. Siu Yik Ming	90	1,077	18	1,185
Mr. Chung Sam Kwok Wai	90	1,884	18	1,992
Non-executive director:				
Mr. Choi Siu Wai William	90	–	–	90
Independent non-executive directors:				
Mr. Chan Kee Huen Michael *(Note)*	90	–	–	90
Mr. Cheng King Hoi Andrew *(Note)*	90	–	–	90
Mr. Ko Ming Tung Edward *(Note)*	90	–	–	90
	630	6,333	54	7,017

Note: Mr. Chan Kee Huen Michael, Mr. Cheng King Hoi Andrew and Mr. Ko Ming Tung Edward were appointed as independent non-executive directors of the Company on 21 September 2018.

13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID INDIVIDUALS *(Continued)*

(ii) Five highest paid individuals

The five highest paid individuals whose emoluments were the highest in the Group include three (2019: two) directors for the year ended 31 March 2020, whose emoluments are reflected in the analysis as shown. The emoluments payable to the remaining two (2019: three) individuals for the year ended 31 March 2020 are as follows:

	2020 HK$'000	2019 HK$'000
Wages, salaries, bonuses and benefits in kind	2,723	4,424
Contribution to retirement benefits schemes	36	54
	2,759	4,478

The emoluments fell within the following bands:

	Number of Individuals	
	2020	2019
Emolument bands		
Nil – HK$1,000,000	–	–
HK$1,000,001 – HK$1,500,000	2	3
HK$1,500,001 – HK$2,000,000	1	1
HK$2,000,001 – HK$3,000,000	1	–
HK$3,000,001 – HK$3,500,000	–	1
HK$3,500,001 – HK$4,000,000	1	–

During the year, none (2019: none) of the five highest paid individuals waived or agreed to waive any emoluments and there were no emoluments paid by the Group to any of the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

14. INCOME TAX (CREDIT)/EXPENSE

The amount of income tax (credit)/expense in the consolidated statements of profit or loss and other comprehensive income represents:

	2020 HK$'000	2019 HK$'000
Hong Kong profits tax		
– Current taxation	–	–
– Under provision in prior years	663	360
	663	360
Overseas profits tax		
– Current taxation	94	398
– (Over)/under provision in prior years	(213)	50
	(119)	448
Deferred tax *(Note 30)*		
– Current year	(1,377)	(260)
Income tax (credit)/expense	(833)	548

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. Pursuant to the rules and regulations of the Cayman Islands, the Company incorporated in the Cayman Islands is not subject to any income tax.

For the year, Hong Kong profits tax for the Hong Kong subsidiaries has been provided at the rate of 16.5% (2019:16.5%) on the estimated assessable profits. A HK subsidiary of the Group has been entitled to a concessionary tax rate of 50% (2019: 50%) on the transactions made with a PRC subsidiary of the Group under the relevant contract processing arrangement. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC Enterprise Income Tax ("EIT") of the subsidiary of the Group is calculated based on the statutory tax rate of 25% (2019:25%) on the assessable profits for the year.

The provision for Sri Lanka Corporate Income Tax is based on the statutory rate of 14% (2019: 14%) of the assessable profit of the Sri Lanka subsidiaries of the Group for the year as determined in accordance with the Sri Lanka's Inland Revenue Act No. 10 of 2006 which was effective on 31 March 2006.

14. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

The income tax (credit)/expense for the year can be reconciled to the loss before income tax expense per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 HK$'000	2019 HK$'000
Loss before income tax	(59,471)	(22,122)
Tax calculated at the profit tax rate of 16.5% applicable to profits	(9,813)	(3,650)
Effect of different tax rates of subsidiaries operating in other countries	(91)	350
Effect of tax exemption and reduction	–	(207)
Tax effect of expenses not deductible for tax purposes	2,248	2,338
Tax effect of revenue not taxable for tax purposes	(306)	(1,474)
Under provision in respect of prior years	450	410
Tax effect of temporary difference not recognised	1,198	215
Tax effect of tax losses not recognised	6,084	2,628
Utilisation of tax losses previously not recognised	(603)	(62)
Income tax (credit)/expense	(833)	548

15. EARNINGS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 March 2020 and 2019. 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.

	2020 HK$'000	2019 HK$'000
Earnings		
Loss attributable to owners of the Company for the purposes of calculations of basic loss per share	(58,638)	(22,670)

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of calculations of basic loss per share	800,000	689,864

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 31).

The Company did not have any dilutive potential ordinary shares in issue for both 2020 and 2019.

16. DIVIDEND

The Board of directors do not recommend the payment of final dividend for the years ended 31 March 2020 and 2019.

17. PREPAID INSURANCE PREMIUM

In February 2013, a subsidiary of the Company entered into a life insurance policy (the "Policy") with a bank to insure a director of the Company, Ms. Wong Mei Wai Alice. Under the Policy, the beneficiary and policy holder is a subsidiary of the Company and the total insured sum is US$3,000,000 (equivalent to HK$23,250,000). At inception of the Policy, the Group paid a gross premium of approximately US$1,000,000 (equivalent to HK$7,750,000). The bank will pay the Group a guaranteed interest rate of 4% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 2.0% per annum) during the effective period of the Policy. The Group can terminate the Policy at any time and can receive cash back at the date of termination based on the account value of the Policy ("Account Value"), which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If termination is made between the first policy year to the end of surrender period stated in the Policy, there is a specified amount of surrender charge deducted from Account Value.

The Policy exposes the insurer to significant insurance risk. The gross premium paid at inception of the Policy consists of a deposit placed element and a prepayment for life insurance element. These two elements are recognised on the consolidated statement of financial position at the aggregate of the amount of gross premium paid plus interest earned, and after deducting the annual cost of insurance, other applicable charges as well as the amortisation of the expected surrender charge at the end of the tenth policy year.

The directors of the Company consider that the expected life of the Policy remains unchanged from the date of initial recognition and the financial impact of the option to terminate the Policy was not significant.

During the year, the deposit and prepayment for the Policy are pledged to secure general banking facilities granted to the Group (Note 28).

The deposit and prepayment for the Policy is denominated in US$, a currency other than the functional currency.

The fair value loss of HK$390,000 (2019: fair value gain of HK$251,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020.

18. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Leasehold improvement HK$'000	Plant & machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Construction in progress ("CIP") HK$'000	Total HK$'000
Cost									
As at 1 April 2018	30,162	15,751	48,341	3,424	1,633	3,928	1,796	217	105,252
Additions	380	–	764	168	255	683	6	365	2,621
Transfer from CIP	–	–	217	–	–	–	–	(217)	–
Disposals	–	–	(5)	–	–	–	–	–	(5)
Exchange realignment	(658)	–	(851)	(66)	(5)	(179)	(141)	(2)	(1,902)
As at 31 March 2019	29,884	15,751	48,466	3,526	1,883	4,432	1,661	363	105,966
Additions	1,961	4,209	1,423	318	1,386	241	267	4,357	14,162
Transfer from CIP	1,822	–	1,813	–	302	8	–	(3,945)	–
Disposals	–	–	(625)	–	–	–	(493)	–	(1,118)
Exchange realignment	(436)	–	(572)	(58)	(1)	(188)	(103)	1	(1,357)
As at 31 March 2020	33,231	19,960	50,505	3,786	3,570	4,493	1,332	776	117,653
Accumulated depreciation									
As at 1 April 2018	2,402	12,402	24,139	1,988	889	2,263	1,305	–	45,388
Depreciation	1,192	2,075	6,871	504	244	482	250	–	11,618
Eliminated on disposals	–	–	(5)	–	–	–	–	–	(5)
Exchange realignment	(56)	–	(463)	(49)	(1)	(101)	(103)	–	(773)
As at 31 March 2019	3,538	14,477	30,542	2,443	1,132	2,644	1,452	–	56,228
Depreciation	1,221	1,055	5,819	493	386	508	187	–	9,669
Eliminated on disposals	–	–	(496)	–	–	–	(444)	–	(940)
Exchange realignment	(57)	–	(389)	(39)	(1)	(109)	(85)	–	(680)
As at 31 March 2020	4,702	15,532	35,476	2,897	1,517	3,043	1,110	–	64,277
Net book value									
As at 31 March 2020	**28,529**	**4,428**	**15,029**	**889**	**2,053**	**1,450**	**222**	**776**	**53,376**
As at 31 March 2019	26,346	1,274	17,924	1,083	751	1,788	209	363	49,738

19. PAYMENT FOR LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

	2020 HK$'000	2019 HK$'000
At the beginning of the year	23,329	23,907
Initial application of HKFRS 16 *(Note 2(a)(i))*	(23,329)	–
Amortised during the year	–	(578)
At the end of the year	–	23,329

Upon the initial application of HKFRS 16 on 1 April 2019, the balance was reclassified to right-of-use assets as detailed in Note 2(a)(i).

20. INTANGIBLE ASSETS

	2020 HK$'000	2019 HK$'000
Trademark	10,850	–
Less: Impairment	(2,387)	–
	8,463	–

The J Peterman trademark services the J Peterman worldwide operations and is separately identifiable. The J Peterman trademark is considered to have an indefinite useful life. The J Peterman trademark services the J Peterman worldwide operations and will not be amortised.

Impairment tests for trademark with indefinite useful life

The recoverable amount of the trademark with indefinite useful life is determined based on discounted cash flow method by reference to the valuation report issued by an independent valuer, Grant Sherman Appraisal Limited. The income approach explicitly recognises that the current value of an investment is premised upon the expected receipt of future economic benefits such as cost savings, periodic income, or sale proceeds. The cash flows are discounted using a discount rate of 15.6% (2019: N/A). The discount rate used is pre-tax and reflects specific risks relating to the marketing and distribution of lifestyle apparels. Other key assumptions involve (i) management's expectations for the market development and (ii) the continuity of the cooperation relationship with business partners.

During the year ended 31 March 2020, an impairment loss of approximately HK$2,387,000 (2019: Nil) was recognised in respect of the trademark, as the management of the Company considers that the marketing and distribution of lifestyle apparels business faced weakened customer sentiment in USA throughout the year especially since the first quarter of 2020 and such trend will remain in the future for a period of time until the finish of the COVID-19 coronavirus outbreak.

20. INTANGIBLE ASSETS *(Continued)*

The valuation technique is discounted cash flow method. The major unobservable input is as follows:

	2020	2019
Risk-adjusted discount rate	15.6%	N/A

The risk-adjusted discount rate used is the risk-adjusted weighted average cost of capital of the licensing industry.

21. CONVERTIBLE PROMISSORY NOTE

	2020 HK$'000	2019 HK$'000
At the beginning of the year	–	–
Addition	5,019	–
Changes in fair value	(1,805)	–
At the end of the year	3,214	–

The Group made investment in a convertible promissory note ("convertible promissory note") of a non-related private company, and this investment held by the Company contain embedded derivatives. After assessment on the Group's business model for managing financial assets and contractual cash flow test where those cash flows represent solely payments of principal and interest ("SPPI"), the Group recognised these investments as financial assets at fair value through profit or loss.

The relevant fair value is determined with reference to valuation carried out by an independent valuer, Graval Consulting Limited using market approach. The major unobservable inputs are as follows:

	2020	2019
Discount for lack of marketability ("DLOM")	43.20%	N/A
Control Premium	25.60%	N/A

DLOM reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest a business enterprise that reflects the power of a control. Thus, we consider that the fair value measurement of level 3 fair value measurement under HKFRS13.B36(b).

22. GOODWILL

	2020 HK$'000	2019 HK$'000
At the beginning of the year	17,803	16,792
Exchange differences	345	1,011
At the end of the year	18,148	17,803

Impairment tests for cash-generating unit containing goodwill

For the purpose of impairment testing, goodwill arising from the business combinations is allocated to the appropriate cash generating unit ("CGU") of the Group identified as follows:

	2020 HK$'000	2019 HK$'000
Manufacturing and trading of apparel products	18,148	17,803

The recoverable amount for the cash generating unit ("CGU") is determined based on value-in-use calculations. These calculations use pre-tax discounted cash flow projections based on multiple scenario financial budgets approved by management covering a 5-year period, each of the scenarios which are probability weighted. The multiple scenario financial budgets assumption and probability weighting in its discounted cash flow projections to reflect the level of uncertainty from the impact of COVID-19 as follows:

Scenario	Assumption	Probability Weighting
Bad	Business remains pessimistic and the retail shops are closed for long time, a reduction in revenue of 15% in 2020/2021 is expected	20%
Normal	Business remains pessimistic but the retail shops are closed for a while, a reduction in revenue of 11% in 2020/2021 is expected	70%
Good	Business remains pessimistic but the retail shops are closed short term, a reduction in revenue of 3% in 2020/2021 is expected	10%

The unprecedented economic impact of COVID-19 has reduced near-term industry forecasts for demand in the end markets. As a result, sales are expected to decline in 2020/21 in the range of 3% to 15% before returning to growth in the following four years, with a perpetual average growth rate of 7% thereafter.

22. GOODWILL *(Continued)*

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 finished apparel products 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.

	2020	2019
Budgeted gross margin	17%	19%
Average revenue growth rate	7%	5%
Growth rate	3%	5%
Pre-tax discount rate	15.5%	16.0%

23. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials and consumables	30,506	32,332
Work-in-progress	1,674	3,348
Finished goods	2,479	1,414
	34,659	37,094

24. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	190,085	153,684
Less: Loss allowances on trade receivables	(52,762)	(793)
Trade receivables, net *(Note 7)*	137,323	152,891
Prepayments	3,534	14,356
Other receivables *(Note)*	17,285	721
Utilities and sundry deposits	1,687	1,730
	22,506	16,807
Less: Loss allowances on other receivables *(Note)*	(1,098)	–
	21,408	16,807
	158,731	169,698

Note: Included in other receivables, an amount of HK$16,921,000 (equivalent to US$2,175,000) (2019: Nil) is due from a non-related company which is a customer and the convertible note holder of the Group which has good business relationship with the Group as at 31 March 2020. The balance is unsecured, interest-free and repayable on demand.

Loss allowance for ECL of HK$1,098,000 (2019: Nil) that has been recognised for other receivables under ECL model for the year ended 31 March 2020.

24. TRADE AND OTHER RECEIVABLES *(Continued)*

The ageing analysis of trade receivables, net of loss allowances at the end of reporting period, based on the invoice date, is as follows:

	2020 HK$'000	2019 HK$'000
0 – 30 days	38,026	59,379
31 – 90 days	57,511	76,677
91 – 365 days	35,765	16,162
Over 365 days	6,021	673
	137,323	152,891

The directors consider that the fair values of trade receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

The credit period granted to trade debtors ranges 0-90 days from the invoice dates. No significant change in the gross carrying amounts of trade receivable during the year contributed to changes in the loss allowance. Further details on the Group's credit policy and credit risk management are set out in Note 37(b)(ii).

25. CASH AND BANK BALANCES

Cash at banks earned interest at floating rates based on the daily bank deposits rates.

Included in cash and bank balances of the Group was HK$5,196,000 (2019: HK$3,455,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

26. TRADE, BILLS AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	21,644	40,407
Bills payables	30,544	24,927
Other payables and accruals	13,421	11,971
	65,609	77,305

Bills payables have to be settled within three months from the date of issue.

The ageing analysis of trade payables based on invoice date are as follows:

	2020 HK$'000	2019 HK$'000
0 – 30 days	16,843	22,215
31 – 90 days	3,554	18,057
91 – 365 days	1,244	106
Over 365 days	3	29
	21,644	40,407

Credit terms granted by the suppliers are generally 0–90 days. All amounts have short maturity periods on their inception and hence the carrying amounts of trade and other payables are considered to be a reasonable approximation to their fair values.

27. AMOUNTS DUE TO RELATED PARTIES

	Note	2020 HK$'000	2019 HK$'000
Win 18 Limited ("Win 18")	(a)	369	–
Win 19 Limited ("Win 19")	(a)	375	–
Win 20 Limited ("Win 20")	(a)	369	–
		1,113	–

The amounts due to Win 18, Win 19, Win 20 were trade in nature, unsecured, interest-free and repayable on demand.

Note (a): Mr. Siu Chi Wai and Mr. Choi Siu Wai William are directors of the Group and ultimate beneficial owners of Win 18, Win 19 and Win 20.

28. BANK BORROWINGS

	2020 HK$'000	2019 HK$'000
Interest bearing		
– trust receipt loans, secured *(Notes (a), (b) and (c))*	129,209	79,376
– term and revolving loans, secured *(Notes (a), (b) and (c))*	102,230	111,067
	231,439	190,443

Notes:

(a) All of the bank borrowings are repayable on demand (with demand clause) or within one year.

(b) The bank borrowings are secured by the assets of the Group and the related party, 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) as at 31 March 2020 and 2019. The carrying amounts of these assets are as follows:

	2020 HK$'000	2019 HK$'000
Prepaid insurance premium *(Note 17)*	7,968	8,358

(c) The bank borrowings included bank loans of HK$13,603,000 (2019: HK$23,739,000) that are not scheduled to repay within one year. It is classified as current liability as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contain a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

Total current bank borrowings were scheduled to repay as follows:

	2020 HK$'000	2019 HK$'000
On demand or within one year	217,836	166,704
More than one year, but not exceeding two years	12,286	15,406
More than two years, but not exceeding five years	1,317	8,333
	231,439	190,443

28. BANK BORROWINGS *(Continued)*

Note:

The amounts due are based on the scheduled repayment dates in the loan agreements and ignore the effect of any repayment on demand clause.

All of the banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, which is up to date with the scheduled repayments of the term and revolving loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in Note 37(b)(iii). At the end of the reporting period, none of the covenants relating to drawn down facilities has been breached.

The range of effective interest rates, from date of commencement of interests become chargeable, on the Group's bank loans are as follows:

	2020	2019
Effective interest rates:		
Bank loans	1.1% – 5.0% per annum	2.5% – 5.1% per annum

29. DEFINED BENEFIT OBLIGATION

The Group is liable to pay retirement benefits under the Payment of the gratuity Act No. 12 of 1983 to an employee in Sri Lanka, 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 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 actuarial valuations of defined benefit obligation were carried out by an independent actuarial consulting firm, Actuarial & Management Consultants (Pvt) Limited, using the Projected Unit Credit Method. The results of the valuation are shown as follows:

	2020 HK$'000	2019 HK$'000
Defined benefit obligation – gratuity	2,355	2,073

29. DEFINED BENEFIT OBLIGATION *(Continued)*

The principal actuarial assumptions used for the valuation included a long-term rate of investment return net of salary increases of 10% per annum, together with appropriate allowances for expected rates of mortality, turnover and retirement.

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 have related to future services rendered and future changes in actuarial assumptions and market conditions.

(a) The amounts recognised in the consolidated statement of profit or loss and other comprehensive income are as follows:

	2020 HK$'000	2019 HK$'000
Amounts recognised in profit or loss:		
– Current service cost	228	354

Movements in the present value of defined benefit obligation are as follows:

	2020 HK$'000	2019 HK$'000
At beginning of the year	2,073	2,252
Service cost	228	354
Interest cost	168	130
Actuarial gain/(loss) from remeasurement	142	(378)
Exchange difference	5	(105)
Benefits paid	(261)	(180)
At end of the year	2,355	2,073

The weighted average duration of the defined benefit obligation is 5.95 years.

(b) Historical information

	2020 HK$'000	2019 HK$'000
Present value of defined benefit obligation	2,355	2,073

29. DEFINED BENEFIT OBLIGATION *(Continued)*

(c) The significant actuarial assumptions (expressed as weighted average) and sensitivity analysis are as follows:

	2020	2019
Discount rate	**11%**	10%
Future salary increases	**7.0%**	7.0%

The below analysis shows how the defined benefit obligation at the end of the reporting period would have increased/(decreased) as a result of 1% change in the significant actuarial assumptions:

	2020 **HK$'000**	2019 HK$'000
Increase/(decrease) on profit for the year and retained earnings:		
If increase by 1% in:		
Discount rate	**143**	106
Future salary increases	**(109)**	(118)
If decrease by 1% in:		
Discount rate	**(143)**	(106)
Future salary increases	**109**	118

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

30. DEFERRED TAX

Details of the deferred tax liabilities/(assets) recognised and movements during the year:

	Accelerated tax depreciation HK$'000	Expected credit loss on trade and other receivables HK$'000	Arising on recognition of right-of-use assets and lease liabilities HK$'000	Total HK$'000
As at 1 April 2018	(15)	(46)	–	(61)
Credited to profit and loss for the year	(175)	(85)	–	(260)
As at 31 March 2019	(190)	(131)	–	(321)
Credited to profit and loss for the year	791	(2,109)	(59)	(1,377)
Exchange realignment	(21)	–	–	(21)
As at 31 March 2020	**580**	**(2,240)**	**(59)**	**(1,719)**

As at the end of the reporting period, no deferred tax asset has been recognised in respect of certain unused tax losses due to the unpredictability of future profit streams. The unused tax losses of HK$10,682,000 and HK$51,411,000 (2019: HK5,611,000 and HK$16,945,000) will not expire for the subsidiaries in Sri Lanka and Hong Kong as at 31 March 2020. The deductible temporary differences can be carried forward indefinitely. No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

31. 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 Global Limited ("Moonlight") and one Share of HK$0.01 was allotted and issued to Rainbow Galaxy Limited ("Rainbow Galaxy") prior to the completion of the Reorganisation.

	Number of shares	Nominal value of ordinary shares HK$	Share premium HK$
Authorised At 1 April 2019 and 31 March 2020	10,000,000,000	100,000,000	–
Issued At 1 April 2019 and 31 March 2020	800,000,000	8,000,000	66,540,898

31. SHARE CAPITAL *(Continued)*

	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 year *(Note b)*	9,962,000,000	99,620,000	–
As 31 March 2019	10,000,000,000	100,000,000	–
Issued			
As 1 April 2018	2	–*	–
Reorganisation Issue *(Note c)*	98	–*	–
Capitalisation Issue *(Note d)*	599,999,900	5,999,999	–
Issuance of new shares upon listing *(Note e)*	200,000,000	2,000,000	78,000,000
Share issuance cost	–	–	(11,459,102)
At 31 March 2019	800,000,000	8,000,000	66,540,898

* Represents amount less than HK$1,000

Note a: On 6 June 2017 (date of incorporation), 2 shares of HK$0.01 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.

Note d: Pursuant to the resolution of the Company's controlling shareholders, of 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 the then existing shares of the Company. Upon the completion of the Capitalisation Issue, the number of ordinary shares of the Company increased to 600,000,000.

Note e: On 19 October 2018, upon listing on the Stock Exchange, the Company issued a total of 200,000,000 new ordinary shares. Such shares rank pari passu in all respects with the then existing shares of the Company. The offer price is HK$0.40 per share and the total proceeds (before payments of listing expenses) from issuance of new shares upon listing are HK$80,000,000. Upon the completion of the issuance, the number of ordinary shares of the Company increased to 800,000,000. Increase in share capital was completed through utilisation of accumulated profit and statutory surplus reserve. The excess portion of net asset value of the Company at the date of capital restructuring over the enlarged share capital was transferred to capital reserve.

32. RESERVES

(a) The Group

Details of the movements in the reserves of the Group during the year are set out in the consolidated statements of changes in equity.

(b) The Company

	Share premium HK$'000	Contributed reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2018	–	61,354	–	61,354
Capitalisation Issue	–	(6,000)	–	(6,000)
Issuance of new shares upon listing	66,541	–	–	66,541
Total comprehensive expenses for the year, net of tax	–	–	(8,370)	(8,370)
At 31 March 2019 and 1 April 2019	66,541	55,354	(8,370)	113,525
Total comprehensive expense for the year, net of tax	–	–	(40,706)	(40,706)
At 31 March 2020	**66,541**	**55,354**	**(49,076)**	**72,819**

(c) The following describes the nature and purpose of each reserve within owner's equity:

Reserve	Description and purpose
Share premium	Capital injection in excess of registered capital.
Contributed reserve	Difference between the nominal value of shares issued by the Company and the aggregate fully paid registered capital of the subsidiaries pursuant to the Group Reorganisation.
Translation reserve	Gains/losses arising on retranslating the net assets of foreign operations into presentation currency.
Remeasurement reserve	Gains/losses arising on remeasuring the actuarial value of defined benefit plan.
Retained earnings/ (accumulated losses)	Cumulative net gains and loss recognised in profit and loss.

32. RESERVES *(Continued)*

(d) Capital management

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies and processes during the end of reporting period.

33. LEASES

HKFRS 16 was adopted on 1 April 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 April 2019, see Note 2(a). The accounting policies applied subsequent to the date of initial application, 1 April 2019, are disclosed in Note 4(g)A.

Nature of leasing activities (in the capacity as lessee)

The Group has obtained the right to use properties as its administrative offices through tenancy agreements, comprise only fixed payments over the lease terms.

Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	As at 31 March 2020 HK$'000	As at 1 April 2019 HK$'000
Leasehold land leased for own use, carried at depreciated cost	22,829	23,329
Properties leased for own use, carried at depreciated cost	14,709	22,646
	37,538	45,975

During the year, additions to right-of-use assets were HK$1,646,000. This amount related to the capitalised lease payments payables under new tenancy agreements.

33. LEASES *(Continued)*

Lease liabilities

31 March 2020	Buildings HK$'000
Opening balance	23,280
Additions	1,646
Interest expense	1,057
Lease payments	(9,735)
Exchange realignments	(726)
Ending balance	15,522

Future lease payments are due as follows:

31 March 2020	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
Within one year	9,302	676	8,626
Later than one year but within five years	13,481	6,585	6,896
	22,783	7,261	15,522

1 April 2019	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
Within one year	9,795	1,052	8,743
Later than one year but within five years	21,511	6,974	14,537
	31,306	8,026	23,280

Note: The Group has applied HKFRS 16 using the cumulative effect approach and adjusted the opening balance at 1 April 2019 to recognise leases liabilities relating to leases which were previously classified as operating leases under HKAS 17.

33. LEASES *(Continued)*

Lease liabilities *(Continued)*

The present value of future lease payments are analysed as:

	As at 31 March 2020 HK$'000	As at 1 April 2019 HK$'000
Current liabilities	8,626	8,743
Non-current liabilities	6,896	14,537
	15,522	23,280

Operating lease commitments

The Group as lessee

As at 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK$'000
Not later than one year	10,395
Later than one year and not later than five years	13,864
Later than five years	8,981
	33,240

The Group leases a number of motor vehicles, office premises, facilities and leasehold land under operating leases. The leases run for an initial period of two to fifty years. None of the leases include contingent rentals.

34. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Investments in subsidiaries		26,952	61,354
Current assets			
Amounts due from subsidiaries		54,028	60,400
Cash and bank balances		213	169
Total current assets		54,241	60,569
Current liabilities			
Other payables and accruals		374	398
Net current assets		53,867	60,171
Total assets less current liabilities		80,819	121,525
NET ASSETS		80,819	121,525
CAPITAL AND RESERVES			
Share capital	31	8,000	8,000
Share premium	31	66,541	66,541
Reserves	32(b)	6,278	46,984
TOTAL EQUITY		80,819	121,525

On behalf of the directors

Choi Siu Wai William
Chairman

Wong Mei Wai Alice
Director

35. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 March 2020 HK$'000	As at 31 March 2019 HK$'000
Unlisted investment, at cost	61,354	61,354
Less: Impairment	(34,402)	–
	26,952	61,354

Details of the principal subsidiaries, the business structure of which were corporations, as at 31 March 2020 and 2019 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company Directly	Indirectly	Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
Excel Tops Limited	British Virgin Islands ("BVI"), 11 May 2017, limited liability company	100%	–	Registered and fully paid capital USD 20,000	Investment holding, BVI
Sterling Apparel Limited	Hong Kong ("HK"), 19 June 2012, limited liability company	–	100%	Registered and fully paid capital HK$10,000,000	Trading of apparel products, HK
Chiefway International Limited	HK, 21 January 2004, limited liability company	–	100%	Registered and fully paid capital HK$400,000	Manufacturing and trading of apparel products, HK
Elegant Maker Limited	HK, 22 January 2016, limited liability company	–	100%	Registered and fully paid capital HK$1	Investment holding, HK
Zhi Wei (Guangzhou) Garment Co., Limited	The People's Republic of China (the "PRC"), 5 February 2007, limited liability company	–	100%	Registered and fully paid capital HK$8,000,000	Manufacturing and trading of apparel products, the PRC
Chiefway Katunayake (Private) Limited	Sri Lanka, 31 March 2017, limited liability company	–	100%	Registered and fully paid capital Sri Lankan Rupee ("LKR') 696,190,000	Manufacturing and trading of apparel products, Sri Lanka
Chiefway (Private) Limited	Sri Lanka, 16 September 2011, limited liability company	–	100%	Registered and fully paid capital LKR 98,791,540	Manufacturing and trading of apparel products, Sri Lanka
Asiamax Holdings Limited	Hong Kong, 5 September 2018, limited liability company	–	100%	Registered and fully paid capital HK$1	Trademark licensing, HK

36. RELATED AND CONNECTED PARTIES DISCLOSURES

In addition to the transactions and balances disclosed, the Group entered into the following related party transactions, which would constitute connected transactions as defined in Chapter 14A of the Listing Rules.

(i) Transactions with related parties are as follows:

Name of entities	Relationship with the Group
C.F.L. Enterprise Limited	Mr. Choi Siu Wai William (director and beneficial owner of the shareholder of the Group) is the director and shareholder of the related company
Kam Li Fashion Factory	Common shareholder, Mr. CW Siu
Full Submit Development Limited	Common shareholder, Mr. CW Siu

Name of related parties	Nature of transactions	2020 HK$'000	2019 HK$'000
C.F.L. Enterprise Limited	Sales of finished apparel products	135	89
Kam Li Fashion Factory	Motor vehicle rental expenses	249	216
Full Submit Development Limited	Motor vehicle rental expenses	327	300

None of the related parties transactions disclosed above constituted connected transaction or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(ii) Key management personnel compensation

The key management personnel of the Group represent directors and other senior management of the Group. Details of the emolument paid to them are set out in Note 13.

(iii) Outstanding balances with related parties

Details of the Group's amounts due to related parties are included in Note 27.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2020

36. RELATED AND CONNECTED PARTIES DISCLOSURES *(Continued)*

(iv) Connected parties transactions

Name of entities	Relationship with the Group
Win 18 Limited ("Win 18")	Common controlling shareholders, Moonlight and Rainbow Galaxy
Win 19 Limited ("Win 19")	Common controlling shareholders, Moonlight and Rainbow Galaxy
Win 20 Limited ("Win 20")	Common controlling shareholders, Moonlight and Rainbow Galaxy

Name of connected party	Nature of transactions	2020 HK$'000	2019 HK$'000
Win 18 *(Note)*	Rental expense	**1,500**	1,375
Win 19 *(Note)*	Rental expense	**1,500**	1,375
Win 20 *(Note)*	Rental expense	**1,500**	1,375

Note: On 8 February 2018, the Group had entered into the Tenancy Agreements with Win 18, Win 19 and Win 20 respectively. In accordance with the terms and conditions of the Tenancy Agreements, Win 18, Win 19 and Win 20 each respectively agrees to lease the 18th Floors of Win Plaza and car parking space nos. P310 and P311 on 3rd Floor of Win Plaza, 19th Floor of Win Plaza and car parking space no. P312 and 313 on 3rd Floor of Win Plaza and 20th Floor of Win Plaza and car parking space no. P314 and P315 on 3rd Floor of Win Plaza respectively, from 8 February 2018 to 31 January 2021 (both days inclusive). The rent free period under the Tenancy Agreements is from 8 February 2018 to 30 April 2018 (both days inclusive).

Win 18, Win 19 and Win 20 are all companies incorporated in Hong Kong which are wholly owned by Winfield. Winfield is owned as to 50% by Moonlight and as to 50% by Rainbow Galaxy. Moonlight and Rainbow Galaxy are the Controlling Shareholders of the Group. As such, each of Win 18, Win 19 and Win 20 are connected persons of the Group as defined under Chapter 14A of the Listing Rules.

The annual cap amount for the three financial years ended/ending 31 March 2019, 2020 and 2021 for the Tenancy Agreement are HK$4,125,000, HK$4,500,000 and HK$3,750,000 respectively as set out in the Prospectus of the Company dated 29 September 2018.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table shows the carrying amount and fair value of financial assets and liabilities:

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
– Prepaid insurance premium	7,968	8,358
– Convertible promissory note	3,214	–
Financial assets at amortised cost		
– Trade and other receivables	155,197	155,342
– Cash and cash equivalents	47,836	75,687
	214,215	239,387
Financial liabilities		
At amortised cost		
– Trade, bills and other payables	65,609	77,305
– Amounts due to related parties	1,113	–
– Bank borrowings	231,439	190,443
– Lease liabilities	15,522	–
	313,683	267,748

(b) Financial risk management objectives and policies

The Group's principal financial assets are trade and other receivables and cash and bank balances that derive directly from its operations. Principal financial liabilities of the Group include trade, bills and other payables, amounts due to related parties, bank borrowings and lease liabilities. The main purpose of these financial liabilities is to finance the Group's operations.

The Group has not issued and does not hold any financial instruments for trading purposes. The main risks arising from the Group's financial instruments are currency risk, credit risk, liquidity risk and interest rate risk.

The Group's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its shareholders.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to currency risk primarily through transactions that are denominated in currencies other than the functional currency of the operations to which they related. Cash and cash equivalents, trade and other receivables, bank borrowing and trade, bills and other payables denominated in foreign currencies expose the Group to currency risk.

The currencies giving rise to the risk are primarily United States Dollars ("US$"), Renminbi ("RMB"), Euro ("EUR") and Sri Lankan Rupees ("LKR").

As HK$ is pegged to US$, the Group does not expect any significant movements in US$/HK$ exchange rate. The currencies giving rise to this risk are primarily RMB, EUR and LKR.

	Liabilities		**Assets**	
	As at 31 March		**As at 31 March**	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
RMB	**449**	1	**1**	1
EUR	**3,279**	21	**154**	17
LKR	**649**	3,915	**1,826**	3,192

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(i) Currency risk *(Continued)*

The following table indicates the approximate change in the Group's loss for the year and other components of combined equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period. The sensitivity analysis includes balances between Group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower. A positive number below indicates an increase in loss and other equity where the HKD strengthens against the relevant currency. For a weakening of the HKD against the relevant currency, there would be an equal and opposite impact on the loss and other equity, and the balances below would be negative.

	Increase/ (decrease) in foreign exchange rates	**(Increase)/ decrease in loss before tax for the year** HK$'000
As at 31 March 2020		
RMB	5%/(5%)	(22)/22
EUR	5%/(5%)	(156)/156
LKR	5%/(5%)	59/(59)
As at 31 March 2019		
RMB	5%/(5%)	–
EUR	5%/(5%)	(5)/5
LKR	5%/(5%)	(759)/759

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities; exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The Group currently does not have a foreign currency hedging policy but management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables and deposits with banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Trade and other receivables

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain period. These evaluations focus on the customer's history of making payments when due and ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 0 to 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 March 2020 and 2019, 63.3% and 72.4%, respectively, of the total trade receivables were due from the Group's largest customer; and 99.9% and 100.0%, respectively of the total trade receivables were due from the Group's five largest customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any loss allowance. The Group does not provide financial guarantee which would expose the Group to credit risk.

The Group applies the simplified approach to account for expected credit losses prescribed by HKFRS 9, which permit the use of the lifetime expected credit losses. The provision rates are based on days past due for grouping of various customer segments with similar loss patterns. The calculation reflects the probability-weighed 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.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk *(Continued)*

(i) Trade and other receivables (Continued)

Measurement of expected credit loss on individual basis

Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 March 2020, the balances of such individually assessed trade receivables are HK$120,355,000 (2019: HK$111,273,000) and the loss allowance in respect of these receivables are HK$40,208,000 (2019: HK$402,000).

Measurement of expected credit loss on collective basis

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2020 and 2019:

As at 31 March 2020	**Expected loss rate (%)**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Current	0.46%	26,741	123
Less than 1 month past due	0.89%	3,820	34
More than 1 month but less than 3 months past due	2.43%	16,907	411
More than 3 months but less than 6 months past due	3.62%	4,664	169
More than 6 months but less than 12 months past due	15.35%	6,829	1,048
More than 1 year past due	100%	10,769	10,769
		69,730	12,554

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk *(Continued)*

(i) Trade and other receivables (Continued)

Measurement of expected credit loss on collective basis (Continued)

As at 31 March 2019	Expected loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000
Current	0.10%	25,193	25
Less than 1 month past due	0.50%	3,571	18
More than 1 month but less than 3 months past due	0.50%	1,593	8
More than 3 months but less than 6 months past due	2.00%	8,773	176
More than 6 months but less than 12 months past due	5.00%	3,281	164
More than 1 year past due	N/A	–	–
		42,411	391

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group grants a credit period within 0–90 days to its trade customers. Included in trade receivables are trade debtors (net of impairment losses) with the following ageing analysis, based on the payment due dates, as of the end of the reporting period.

	As at 31 March 2020 HK$'000	As at 31 March 2019 HK$'000
Current	105,513	93,356
Less than 1 months past due	3,774	41,813
More than 1 months but less than 3 months past due	16,602	3,128
More than 3 months but less than 6 months past due	4,650	9,482
More than 6 months but less than 12 months past due	6,167	4,925
More than 1 year past due	617	187
	137,323	152,891

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(ii) Credit risk *(Continued)*

(i) Trade and other receivables (Continued)

Measurement of expected credit loss on collective basis (Continued)

The below table reconciled the expected credit loss of trade receivables for the year:

	HK$'000
As at 1 April 2018	278
Expected credit loss on trade receivables recognised during the year	515
Balance at 31 March 2019	793
Expected credit loss on trade receivables recognised during the year	51,969
As at 31 March 2020	**52,762**

At the end of the reporting period, the Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables.

For other receivables and deposits, the directors make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

The movement of loss allowances for other receivables during the year are as follows:

	HK$'000
As at 1 April 2019	–
Expected credit loss on other receivables recognised during the year	1,098
As at 31 March 2020	**1,098**

(ii) Cash and cash equivalents

Most of the Group's cash and cash equivalents are held in major reputable financial institutions in Hong Kong, the PRC and Sri Lanka, which management believes are of high credit quality.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Liquidity risk

In the management of liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants in order to maintain sufficient reserves of cash and adequate committed lines of funding from major banks to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group during the reporting period and are considered to have been effective in managing liquidity risk.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rates at the end of the reporting period.

	Interest rate	Carrying amount HK$'000	Total contractual undiscounted cash flows HK$'000	Within 1 year or on demand HK$'000	Within 2 years to 5 years HK$'000
As at 31 March 2020					
Trade, bills and other payables	N/A	65,609	65,609	65,609	–
Amounts due to related parties	N/A	1,113	1,113	1,113	–
Bank borrowings: Trust receipt loans	2.6023% to 3.0524%	129,209	132,637	132,637	–
Bank borrowings: Term and revolving loans	1.1364% to 5.0440%	102,230	103,775	103,775	–
Lease liabilities	5.65%	15,522	22,783	9,302	13,481
		313,683	325,917	312,436	13,481
As at 31 March 2019					
Trade, bills and other payables	N/A	77,305	77,305	77,305	–
Bank borrowings: Trust receipt loans	4.1057%	79,376	82,635	82,635	–
Bank borrowings: Term and revolving loans	2.4957% to 5.0756%	111,067	114,002	114,002	–
		267,748	273,942	273,942	–

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iii) Liquidity risk *(Continued)*

The table that follows summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the above maturity analysis. Taking into account the Group's financial position, the directors of the Group do not consider that it is probable that the banks will exercise their discretion to demand immediate repayment, the directors of the Group believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	2020 HK$'000	2019 HK$'000
Term and revolving loans subject to repayment on demand clause based on scheduled repayments		
Carrying amount	102,230	111,067
Within three months	77,346	67,651
More than three months but less than one year	12,664	22,030
More than one year but less than five years	13,765	24,321
Total contractual undiscounted cash flow	103,775	114,002

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

(iv) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk respectively. The Group's interest rate profile as monitored by management is set out below.

The following table details the interest rate profile of the Group's bank borrowings at the end of the reporting period.

	2020		2019	
	Effective interest rate (%)	HK$'000	Effective interest rate (%)	HK$'000
Floating rate bank borrowings				
Bank borrowings: Trust receipt loans	2.6024% to 3.0524%	129,209	4.1057%	79,376
Bank borrowings: Term and revolving loans	1.1364% to 5.0440%	102,230	2.4957% to 5.0756%	111,067
Total net bank borrowings		231,439		190,443

Sensitivity

The Group's cash flow interest rate risk relates primarily to interest bearing bank borrowings.

Sensitivity analysis

For the year, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increase/decrease the Group's loss after tax and accumulated losses by approximately HK$2,314,000 (2019: HK$1,905,000).

The sensitivity analysis above indicates the impact on the Group's loss for the year and accumulated losses that would arise assuming that there is an annualised impact on interest income and expense by a change in interest rates. The analysis has been performed on the same basis during the reporting period.

37. FINANCIAL INSTRUMENTS *(Continued)*

(c) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. No changes in the objectives, policies or processes were made during the reporting period.

The Group monitors capital using a debt to capital ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as trade, bills and other payables, bank borrowings, lease liabilities and amounts due to related parties, and less cash and cash equivalents. Capital includes equity attributable to owners of the Company.

	2020 HK$'000	2019 HK$'000
Total debt	313,683	267,748
Less: Cash and cash equivalents	(47,836)	(75,687)
Net debt	265,847	192,061
Equity attributable to the owners of the Company	56,692	115,544
Net debt and equity	322,539	307,605
Debt to capital ratio	82.42%	62.44%

37. FINANCIAL INSTRUMENTS *(Continued)*

(d) Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair value.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
As at 31 March 2020				
Prepaid insurance premium	–	7,968	–	7,968
Convertible promissory note	–	–	3,214	3,214
As at 31 March 2019				
Prepaid insurance premium	–	8,358	–	8,358

There was no transfer between levels during the year.

38. NOTES SUPPORTING CASH FLOW STATEMENT

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

Reconciliation of liabilities arising from financing:

	Bank borrowings HK$'000	**Lease liabilities** HK$'000
At 1 April 2018	197,176	–
Changes from cash flows:		
– Proceeds from bank borrowings	600,747	–
– Repayment of bank borrowings	(607,480)	–
– Interest paid for the year	(7,984)	–
Total changes from financing cash flow	(14,717)	–
Other changes:		
– Interest incurred for the year	7,984	–
	7,984	–
At 31 March 2019 and At 1 April 2019	190,443	–
Changes from cash flows:		
– Proceeds from bank borrowings	702,680	–
– Repayment of bank borrowings	(661,684)	–
– Repayment of principal portion of the lease liabilities	–	(8,678)
– Interest paid for the year	(8,848)	(1,057)
Total changes from financing cash flow	32,148	(9,735)
Other changes:		
– Lease adjustments	–	24,200
– Interest incurred for the year	8,848	1,057
	8,848	25,257
At 31 March 2020	231,439	15,522

39. SUBSEQUENT EVENTS

Bankruptcy of a major customer

On 4 May 2020, one of the Group's major customers (the "Customer") filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Eastern District of Virginia in the United States of America. The Board considers and contemplates that the filing of Chapter 11 by the Customer may have an adverse impact on the business operations and financial position of the Group. On 28 May 2020, the Group and the major customer had concluded a trade and settlement arrangement to settle approximate US$9,579,000 for the total amount owed as of 5 May 2020 to be settled within 4 months. As at 15 June 2020, the Group had received approximate US$4,211,000 settlement and the remaining balance is in the process of collection according to agreed time schedule.

Outbreak of Coronavirus

For the year ended 31 March 2020, the operating results of the Group has been affected by the outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak") in early 2020. A series of precautionary and control measures have been and continued to be implemented across the world, including certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing.

Certain retail stores customers and overseas OEM suppliers of the Group experienced difficulty in resuming their normal operations in the short term. Consequently, shipment schedules of certain goods have been postponed and the Group has been closely monitoring the status of the shipment. Certain cancellation of orders has taken place as of the date of this report. Based on the latest market situation, management expects the Group's business performance for the six months ending 30 September 2020 to be unfavourable.

In preparing the consolidated financial statements, the Group tested non-current assets including but not limited to intangible assets, goodwill, right-of-use assets and property, plant and equipment for impairment and the recoverable amount of the relevant CGUs exceeds its carrying amount, thus no provision for impairment is made. In performing this assessment, the Group estimated the present value of future cash flows of the CGUs based on the conditions of COVID-19 outbreak and its impact on the present value of estimated future cash flows of the CGUs.

Following the COVID-19 outbreak, the Group also expects to experience longer trade receivable turnover time, which may lead to an increase in the expected credit loss on trade receivables. As of the date of this report, the impacts of the COVID-19 outbreak on the customers' financial positions of the Group and the macro-economic conditions as a whole are still uncertain, the Group is unable to quantify the related financial effects. The Group will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact and take relevant measures where needed.

Five-year Financial Summary

RESULTS

	Year ended 31 March				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Turnover	556,113	670,955	676,856	641,733	**590,873**
(Loss) Profit for the year	26,514	31,114	20,012	(22,670)	**(58,638)**
Attributable to:					
Owners of the Company	26,514	31,114	20,012	(22,670)	**(58.638)**
Non-controlling interests	–	–	–	–	**–**
	26,514	31,114	20,012	(22,670)	**(58.638)**

ASSETS AND LIABILITIES

	At 31 March				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Total assets	273,013	412,184	364,490	385,633	**372,730**
Total liabilities	237,569	345,639	295,956	270,089	**316,038**
	35,444	66,545	68,534	115,544	**56,692**
Equity attributable to owners of the Company	35,444	66,545	68,534	115,544	**56,692**
Non-controlling interests	–	–	–	–	**–**
	35,444	66,545	68,534	115,544	**56,692**