



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

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1825

Interim
Report
2021

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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. Ko Ming Tung Edward
Mr. Cheng King Hoi Andrew
(retired on 28 September 2021)
Mr. Tsang Ho Yin
(appointed on 28 September 2021)

COMPANY SECRETARY

Ms. Chan Yuet Kwai

AUDIT COMMITTEE

Mr. Chan Kee Huen Michael (*Chairman*)
Mr. Cheng King Hoi Andrew
(retired on 28 September 2021)
Mr. Ko Ming Tung Edward
Mr. Tsang Ho Yin
(appointed on 28 September 2021)

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
(retired on 28 September 2021)
Mr. Tsang Ho Yin
(appointed on 28 September 2021)

NOMINATION COMMITTEE

Mr. Choi Siu Wai William (*Chairman*)
Ms. Wong Mei Wai Alice
Mr. Chan Kee Huen Michael
Mr. Cheng King Hoi Andrew
(retired on 28 September 2021)
Mr. Ko Ming Tung Edward
Mr. Tsang Ho Yin
(appointed on 28 September 2021)

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

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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9 Sheung Hei Street
San Po Kong
Kowloon
Hong Kong

COMPANY WEBSITE

<http://www.sterlingapparel.com.hk>



AUDITORS

BDO Limited

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

FINANCIAL ADVISOR

Ample Capital Limited

Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

LEGAL ADVISOR

Michael Li & Co.

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

STOCK CODE

01825

PRINCIPAL BANKS

Hang Seng Bank

83 Des Voeux Road Central
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited

HSBC Main Building
1 Queen's Road Central
Central
Hong Kong

United Overseas Bank Limited

23/F, 3 Garden 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

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	246,156	194,272
Gross profit	34,366	34,525
Gross profit margin	14%	17.8%
Profit before income tax expense	329	872
Profit for the period	329	572
EARNINGS PER SHARE		
– Basic (HK cents)	0.06	0.07
EBITDA*	9,648	12,647
Net profit margin	0.1%	0.3%
Return on total assets	0.1%	0.1%
Return on equity	0.5%	1.0%
Interest coverage ratio	1.1 times	1.2 times

	At	At
	30 September 2021 HK\$'000 (Unaudited)	31 March 2021 HK\$'000 (Audited)
Total assets	444,862	384,578
Net assets	68,679	57,003
Cash and cash equivalents	53,766	63,853
Current ratio	0.92 times	0.79 times
Quick ratio	0.85 times	0.68 times
Gearing ratio	333.5%	415.8%
Debt-to-equity ratio	255.2%	303.8%

* EBITDA represents the profit before income tax expense, adding back finance costs, depreciation of property, plant and equipment and depreciation of right-of-use assets. The use of EBITDA has certain limitations because it does not reflect all items of income and expenses that affect the operations. The term EBITDA is not defined under the Hong Kong Financial Reporting Standards ("HKFRS"), and EBITDA is not a measure of profit and total comprehensive income or liquidity presented in accordance with HKFRS.

MANAGEMENT DISCUSSION AND ANALYSIS

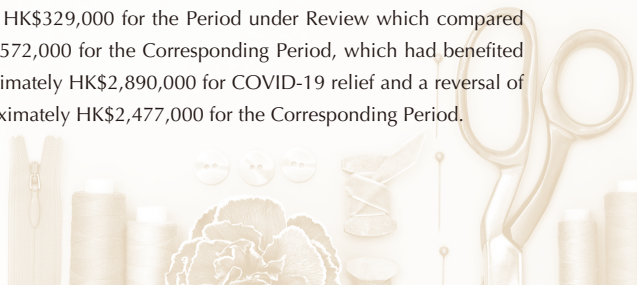
RESULTS AND BUSINESS REVIEW

The performance of the Group was significantly better for the six months ended 30 September 2021 (“Period under Review”) compared with the six months ended 30 September 2020 (“Corresponding Period”), when the Company was buffeted by the outbreak of COVID-19 pandemic (“COVID-19”) in early 2020 and the subsequent Chapter 11 filing of the Group’s largest customer in May 2020. Sales revenue for the Group showed a marked improvement with an increase of 26.7% from approximately HK\$194,272,000 for the Corresponding Period to approximately HK\$246,156,000 for the Period under Review. The increased revenue reflected nearly an across the board rebound from the Group’s existing customers, as well as additional sales from the four new customers the Group has been developing in the last two years. While revenue has increased 26.7% from the Corresponding Period to the Period under Review, sales quantity has increased 34.8% reflecting the need of the Group to pursue lower price products, such as casual wear and sleepwear, in greater volume as the demand for more tailored or constructed apparels may have declined during and post-pandemic.

The gross profit margin of the Group was 14.0% for the Period under Review, which reflected in part the lower trading gross margin (relative to a manufacturing gross margin) with some of the Group’s new customers, and in part, a lower gross margin for some of the new product categories. This is comparable with the Group’s gross margin of 17.8% for the Corresponding Period, which had benefited from a waiver of the 4% invoice discount the Group’s largest customer offered to all its vendors in 2020. The total gross profit of about HK\$34.4 million for the Period under Review was nearly identical to approximately HK\$34.5 million for the Corresponding Period.

The austerity measures the Group implemented in early 2020, comprising chiefly salary rollback, staff redundancy and migration of certain functions from Hong Kong to the Group’s Panyu factory, have started to bear fruit as our operating expenses have held steady while the business has expanded 26.7% in value and 34.8% in volume. Selling & Distribution expenses for the Period under Review were approximately HK\$11,522,000, a decrease of about 11.1% from approximately HK\$12,969,000 for the Corresponding Period. General Administrative expenses for the Period under Review were approximately HK\$24,550,000, a decrease of about 3.4% from approximately HK\$25,424,000 for the Corresponding Period. Notably, interest expenses dropped by about 43.1% from approximately HK\$4,077,000 for the Corresponding Period to about HK\$2,319,000 for the Period under Review.

The Group recorded a profit of approximately HK\$329,000 for the Period under Review which compared favorably to a net profit of approximately HK\$572,000 for the Corresponding Period, which had benefited from a Hong Kong government grant of approximately HK\$2,890,000 for COVID-19 relief and a reversal of over provision of estimated credit loss of approximately HK\$2,477,000 for the Corresponding Period.



To further bolster the capital base of the Group after recent losses from the Chapter 11 filing of the Group's major customer and impact from COVID-19, a shareholder loan of US\$1.5 million was forgiven and added to the capital reserve during the Period under Review.

Sales by Product Categories

The Group's apparel products can generally be divided into four categories, namely (i) outerwear (include mainly jackets, coats and blazers and are chiefly made from wool and wool blend), (ii) bottoms (include pants, shorts and skirts, and are chiefly made from cotton, wool and wool blend), (iii) tops include mainly shirts, blouses and tank tops, and are chiefly made from cotton, polyester, triacetate and lyocell and (iv) other products (mainly dresses, suits, gown, scarf, jumpsuits and vests, and are chiefly made of cotton, wool and wool blend). During Period under Review, the sales volume of the Group amounted to approximately 1,132,600 pieces of finished apparel products (2020: approximately 840,100 pieces). The sale volume of bottoms, outerwear, top and other products were approximately 498,500 pieces, 261,700 pieces, 139,800 pieces and 232,600 pieces respectively for the Period under Review and approximately 403,300 pieces, 218,800 pieces, 80,200 pieces and 137,800 pieces respectively for the Corresponding Period. The average selling price of the products for the Period under Review was approximately HK\$217 per piece of finished apparel products (2020: approximately HK\$231 per piece). The average selling price per piece of bottoms, outerwear, tops and other products amounted to approximately HK\$143, HK\$435, HK\$183 and HK\$152 respectively for the Period under Review, and approximately HK\$149, HK\$399, HK\$287 and HK\$174 respectively for the Corresponding Period.

Other Revenue

Other revenue, comprising mostly sample charges, for the Period under Review was approximately HK\$4,509,000 (2020: HK\$7,244,000). The decrease was mainly due to the government grants of approximately HK\$2,890,000 from the Hong Kong Government for the employment support in the Corresponding Period.

Other Gains and Losses, Net

The net other losses amounted to approximately HK\$155,000 (2020: a gain of approximately HK\$1,573,000). It comprises chiefly of fair value gain on prepaid insurance premium HK\$105,000 and exchange loss HK\$260,000 (Corresponding Period: Fair value gain on prepaid insurance premium HK\$116,000; exchange loss HK\$486,000 and Reversal of expected credit loss in Accounts Receivable HK\$2,477,000).



Selling and Distribution Costs

Selling and Distribution Costs for the Period under Review amounted to approximately HK\$11,522,000, representing a decrease of approximately 11.1% from approximately HK\$12,969,000 for the Corresponding Period. The decrease was mainly due to lower freight and staff costs. Freight costs were lower in the Period under Review compared with that for the Corresponding Period because of the air freight incurred last year to cope with the disruption in production impacted by COVID-19 lock-downs.

General and Administrative Expenses

The general and administrative expenses for the Period under Review decreased by 3.4% from approximately HK\$25,424,000 for the Corresponding Period to approximately HK\$24,550,000 for the Period under Review. The minor decrease in HK\$874,000 was mainly due to lower depreciation expense as some fixed assets became fully depreciated.

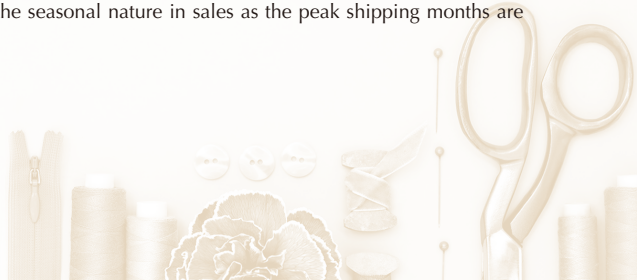
Finance Costs

Finance costs decreased by approximately 43.1% to approximately HK\$2,319,000 for the Period under Review from approximately HK\$4,077,000 for the Corresponding Period. It was partly due to the interest expenses on the shareholders' loans for the Corresponding Period while the shareholders' loans are interest free and were forgiven during the Period under Review, and partly, lower interest costs on bank borrowings because of lower interest rates and reducing loan balance.

Financial Position

As at 30 September 2021, the Group's cash and cash equivalents amounted to approximately HK\$53,766,000 (31 March 2021: approximately HK\$63,853,000).

Inventories decreased by approximately HK\$12,442,000, i.e. 34.7% to approximately HK\$23,407,000 as at 30 September 2021 from approximately HK\$35,849,000 as at 31 March 2021. The decrease was mainly due to peak shipping month for Fall season being July to September, with inventory at end of September normally less than that at end of March. Trade and other receivables increased by approximately HK\$86,937,000 to approximately HK\$247,922,000 (31 March 2021: approximately HK\$160,985,000) (30 September 2020: approximately HK\$197,319,000). The increase was mainly due to (a) much higher sales of approximately HK\$246 million for the Period under review compared with sales of approximately HK\$194 million for the Corresponding Period; and (b) the seasonal nature in sales as the peak shipping months are typically July to September for the Fall season.



Bank borrowings decreased by approximately 3.4% to approximately HK\$229,048,000 (31 March 2021: approximately HK\$237,022,000). Trade, bills and other payables increased by 46.1% from approximately HK\$76,637,000 to approximately HK\$111,993,000. The increase is mainly attributable to not only the seasonal effect but also the increased sales for the Period under Review. At 30 September 2021, the net current liabilities amounted to approximately HK\$28,289,000 (31 March 2021: net current liabilities approximately HK\$66,829,000). The current liability included bank loans of approximately HK\$1,056,000 as at 30 September 2021 (31 March 2021: approximately HK\$5,130,000) that are not scheduled to be repaid within one year with maturities ranging from one year to three years but they are classified as current liability only because of the repayment on demand clause as stipulated in the relevant loan agreements.

PROSPECTS

The improvement in sales revenue recorded in the Period under Review is set to continue in the second half of the year ending 31 March 2022, as the recovery from the demand shock at the onset of COVID-19 in early 2020 gathered pace since the fall of 2020. The U.S. apparel sales in 2021 is on track to be higher than the level in pre-pandemic 2019, but the record surge in online retail sales in 2020 holiday season (about 33%) will likely turn into a much more moderate increase (about 10% growth as per Adobe Analytics) in 2021. This expectation is a result of rising retail prices chiefly due to the strong economic recovery, monetary and fiscal stimuli, but more significantly, inventory shortages caused by the widespread bottlenecks in logistics throughout the supply chain from the Asian manufacturers, ocean/air freight capacity and unprecedented congestions at US ports to shortages in manpower and equipment for US domestic transportation.

While the orders on hand may indicate a strong second half for 2021/22, the Group is cognizant of the risks to the timing of our sales revenue recognition and higher cost of transport and late delivery because of this supply chain quagmire we are all exposed to. A great majority of our sales is on FOB terms, but sales to two of the Group's new customers constituting about 10% of our revenue are on LDP terms. The Company is redoubling our efforts in logistics management to ensure any disruption is kept to the minimum.

Looking ahead, we do expect steady growth of business from our existing customers, albeit at a much lower rate than experienced in the current year. The supply chain problems may start to ease as spot ocean freight rates seem to have receded from its recent peak. Coupled with the new initiatives from the US governments, the port authority and unions to free up the log jam at U.S. ports, there are reasons to be optimistic. Barring a resurgent pandemic causing havoc to the economy again, and with our continuing focus on cost control, the Company sees a gradual return to normality after the significant sales improvement in the current year 2021/22.



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. With effect from 6 July 2021, every four (4) issued and unissued shares of the Company with nominal value of HK\$0.01 each were consolidated into one (1) consolidated share of the Company with nominal value of HK\$0.04 each (the "Share Consolidation"). The nominal values of both the authorized and the issued ordinary share remain the same. Further details of the Share Consolidation are set out in the announcements dated 3 June 2021, 2 July 2021 and circular of the Company dated 11 June 2021.

The Group's financial position remained healthy and stable. The Group generally finances its operations primarily through bank borrowings and internal resources. It is anticipated that the Group has sufficient working capital to fund its future working capital, capital expenditure and other cash requirements. As at 30 September 2021, the Group had cash and bank balances amounting to approximately HK\$53,766,000 (as at 31 March 2021: approximately HK\$63,853,000), and current assets and current liabilities of approximately HK\$318,176,000 (as at 31 March 2021: approximately HK\$253,854,000) and HK\$346,465,000 (as at 31 March 2021: approximately HK\$320,683,000) respectively. It should be noted that the current liabilities balance as at 30 September 2021 included approximately HK\$1,056,000 (as at 31 March 2021: approximately HK\$5,130,000), the total of amounts due after one year but were included as current liabilities because of the repayment on demand clause as stipulated in bank loan documents.

As at 30 September 2021, there were bank borrowings of approximately HK\$229,048,000 (as at 31 March 2021: HK\$237,022,000). These bank borrowings obtained and repaid are mainly denominated in Hong Kong dollar and US dollar. As at 30 September 2021, the Group's interest-bearing bank borrowings carried mainly variable rate borrowings with annual interest rate of 0.51% to 2.37% per annum and are repayable by installments over a period of one to three years.

GEARING RATIO

As at 30 September 2021, the gearing ratio of the Group, based on total interest-bearing liabilities (primarily bank borrowings) of approximately HK\$229,048,000 (31 March 2021: HK\$237,022,000) to total equity (including all capital and reserves) of approximately HK\$68,679,000 (31 March 2021: HK\$57,003,000) of the Company was 333.5% (31 March 2021: 415.8%). The increase in equity is mainly attributable to the waiver of a shareholder loan of US\$1.5 million during the Period under Review.



PLEDGE OF ASSETS

The bank borrowings of the Group are secured by (a) certain assets of the Group, (b) two properties (including 18th and 19th floors and four car parking spaces located in Win Plaza, San Po Kong, Kowloon) of related companies, which are owned indirectly by the largest single shareholder of the Group and a former controlling shareholder (currently also a director) of the Group, and (c) the personal guarantees of the former controlling shareholder (currently also a director), the largest single shareholder and his spouse who is also a director of the Company.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in note 14 of the condensed consolidated financial statements, there were no other material investment or additions of capital assets authorised by the Board at the date of this interim report.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2021, the Group employed 1,419 (as at 31 March 2021: approximately 1,584) full-time employees in Hong Kong, the PRC and Sri Lanka. The Group recognizes the importance of maintaining good relationship with its employees and retains 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 reviews 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 Period under Review, the Group had not experienced any strike, any significant problems with its employees or other material labour disputes which had materially disrupted its operation during such period. The Group has not experienced any difficulties in the recruitment of experienced and skilled staff.

TREASURY POLICIES AND FOREIGN CURRENCY EXPOSURE

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

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group has no other capital commitment and contingent liabilities at 30 September 2021.

OTHER INFORMATION

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

During the Period under Review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange. Having made specific enquiry to each of the Directors, the Company has received confirmations from all Directors that they have complied with the required standards as set out in the Model Code during the Period under Review.

CORPORATE GOVERNANCE

The Board appreciates that good corporate governance is vital to the healthy and sustainable development of the Group. In the opinions of the Directors, the Company had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the Period under Review.

REVIEW OF ACCOUNTS

The Board is of the view that the disclosure of financial information in this announcement complies with Appendix 16 to the Listing Rules. The audit committee of the Company, comprising Mr. Chan Kee Huen Michael (chairman of the audit committee), Mr. Ko Ming Tung Edward and Mr. Tsang Ho Yin, has reviewed the Group's unaudited interim financial information for the Period under Review.



INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVE

As at 30 September 2021, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and SEHK pursuant to the Model Code, are as follows:

Interests and/or short positions in the Company

Director	Nature of interest	Number of Shares held ⁽¹⁾	Percentage of interest in the Company
Ms. Wong Mei Wai Alice	Interest of spouse ⁽²⁾	40,100,000 (L)	20.05%

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 is wholly owned by Mr. Siu Chi Wai.

Save as disclosed above, as at 30 September 2021, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and SEHK pursuant to the Model Code.



INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2021, so far as the Directors are aware, the following persons had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company and SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO or which as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/ nature of interest	Number of Shares⁽¹⁾	Percentage of shareholding
Moonlight Global Holdings Limited ("Moonlight")	Beneficial owner	40,100,000 (L)	20.05%
Mr. Siu Chi Wai	Interest of controlled corporation ⁽³⁾	40,100,000 (L)	20.05%
Ms. Wong Mei Wai Alice	Interest of spouse ⁽⁴⁾	40,100,000 (L)	20.05%

Notes:

1. The letter "L" denotes a long position in the Shares.
2. 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.
3. 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. Moonlight is wholly owned by Mr. Siu Chi Wai.

Save as disclosed above, as at 30 September 2021, the Directors are not aware of any person who had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company and SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO or which as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.



SHARE OPTION SCHEME

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

INTERIM DIVIDEND

The Directors of the Company do not recommend payment of an interim dividend to shareholders of the Company for the Period under Review.

IMPORTANT EVENTS AFTER THE REVIEW PERIOD

As at the date of this report, there is no significant event subsequent to 30 September 2021 which would materially affect the operating and financial performance of the Company or the Group.

By Order of the Board
Sterling Group Holdings Limited
美臻集團控股有限公司*
Choi Siu Wai William
Chairman

Hong Kong, 29 November 2021

* For identification purposes only



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 September	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	5	246,156	194,272
Cost of sales		(211,790)	(159,747)
Gross profit		34,366	34,525
Other revenue		4,509	7,244
Other gains and losses, net	6	(155)	1,573
Selling and distribution costs		(11,522)	(12,969)
General and administrative expenses		(24,550)	(25,424)
Finance costs	7	(2,319)	(4,077)
Profit before income tax expense		329	872
Income tax expense	8	–	(300)
Profit for the period	9	329	572
Other comprehensive expenses, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Remeasurement loss on defined benefit plan		(105)	(219)
Exchange differences arising on translation of foreign operations		(248)	32
Other comprehensive expenses for the period		(353)	(187)
Total comprehensive (expense)/income for the period		(24)	385
Profit and total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		(24)	385
		HK cents	HK cents
Earnings per share			
– Basic	11	0.06	0.07

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Non-current assets			
Prepaid insurance premium	12	8,351	8,246
Property, plant and equipment	13	47,057	49,700
Intangible assets	14	7,606	7,606
Right-of-use assets	15	29,821	31,321
Goodwill	16	18,122	18,122
Other receivables	18	11,596	11,596
Deferred tax assets		4,133	4,133
Total non-current assets		126,686	130,724
Current assets			
Inventories	17	23,407	35,849
Trade and other receivables	18	236,326	149,389
Convertible promissory note	19	3,292	3,292
Amounts due from related parties		2	108
Tax recoverable		1,383	1,363
Cash and cash equivalents		53,766	63,853
Total current assets		318,176	253,854
Total assets		444,862	384,578
Current liabilities			
Trade, bills and other payables	20	111,993	76,637
Amounts due to related parties	25	2,697	742
Bank overdrafts		–	53
Bank borrowings	21	229,048	237,022
Lease liabilities	15	2,727	6,229
Total current liabilities		346,465	320,683
Net current liabilities		(28,289)	(66,829)

	Notes	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Non-current liabilities			
Loans from a director/shareholder	22	20,700	–
Defined benefit obligation	23	2,771	2,907
Lease liabilities	15	5,563	3,317
Deferred tax liabilities		684	668
Total non-current liabilities		29,718	6,892
Net assets		68,679	57,003
Capital and reserves attributable to owners of the Company			
Share capital	24	8,000	8,000
Share premium	24	66,541	66,541
Other reserves		(5,862)	(17,538)
Total equity		68,679	57,003



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Contributed reserve HK\$'000	Translation reserve HK\$'000	Remeasurement reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
At 1 April 2021 (audited)	8,000	66,541	34,000	4,078	993	(386)	(56,223)	57,003
Profit for the period	-	-	-	-	-	-	329	329
Remeasurement loss on defined benefit plan for the period	-	-	-	-	-	(105)	-	(105)
Exchange differences arising on translation of foreign operations	-	-	-	-	(248)	-	-	(248)
Total comprehensive expense for the period	-	-	-	-	(248)	(105)	329	(24)
Deemed capital contribution arising from shareholders' loan	-	-	11,700	-	-	-	-	11,700
At 30 September 2021 (unaudited)	8,000	66,541	45,700	4,078	745	(491)	(55,894)	68,679
At 1 April 2020 (audited)	8,000	66,541	-	4,078	925	118	(22,970)	56,692
Profit for the period	-	-	-	-	-	-	572	572
Remeasurement loss on defined benefit plan for the period	-	-	-	-	-	(219)	-	(219)
Exchange differences arising on translation of foreign operations	-	-	-	-	32	-	-	32
Total comprehensive income for the period	-	-	-	-	32	(219)	572	385
At 30 September 2020 (unaudited)	8,000	66,541	-	4,078	957	(101)	(22,398)	57,077

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net cash used in operating activities	(28,016)	(20,495)
Cash flow from investing activities:		
Interest received	17	99
Repayment from related parties	106	–
Purchases of properties, plant and equipment	(258)	(748)
Proceeds from disposal of properties, plant and equipment	2	–
Net cash used in investing activities	(133)	(649)
Cash flow from financing activities:		
Proceed from bank borrowings	344,388	161,700
Repayment of bank borrowings	(352,337)	(146,438)
Loans from a related party	–	17,000
Loans from a director	20,700	17,000
Repayment of interest portion of the lease liabilities	(283)	–
Repayment of principal portion of the lease liabilities	(4,650)	(3,842)
Proceeds of deemed contribution from shareholders' loan	11,700	–
Interest paid	(2,319)	(3,678)
Net cash generated from financing activities	17,199	41,742
Net (decrease)/increase in cash and cash equivalents	(10,950)	20,598
Cash and cash equivalents at beginning of the period	63,853	47,836
Effect of exchange rate changes on cash and cash equivalents	863	(709)
Cash and cash equivalents at end of the period	53,766	67,725
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS:		
Bank balances and cash	53,766	67,725

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION OF THE GROUP

The Company was incorporated in the Cayman Islands on 6 June 2017, as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the registered office of the Company is located at the office of Tricor Services (Cayman Islands) Limited, 2nd Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The Company is an investment holding company and the Group is principally engaged in the provision of manufacturing and trading of apparel products in the market of the United States of America (the "Listing Business").

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

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

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars ("HK\$"), unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the 2021 annual financial statements.



In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group 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 condensed consolidated financial statements.

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

3. ESTIMATES

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense on a year to date basis. Actual results may differ from these estimates.

4. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied in the condensed interim financial information of the Group for the six months ended 30 September 2021 are consistent with those adopted in the consolidated financial statements for the year ended 31 March 2021, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments, if applicable, as a result of adopting the following standards:

Amendments to HKAS 39, HKFRS 7,
HKFRS 4, HKFRS 9 and HKFRS 16
Amendments to HKFRS 16

Interest Rate Benchmark Reform – Phase 2

Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of these new or amended standards listed above did not have any material impact on the Group's accounting policies.



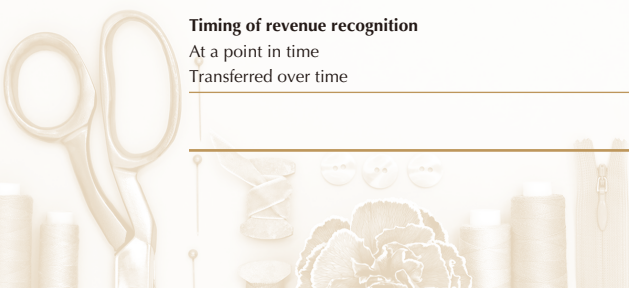
5. REVENUE AND SEGMENT INFORMATION

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

Segment revenue and results

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

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of garments	246,156	194,272
Licensing and related income	-	-
	246,156	194,272
Major products		
Outerwear	113,735	91,428
Bottoms	71,323	59,799
Tops	25,644	14,540
Others (Note a)	35,454	28,505
Total	246,156	194,272
Primary geographical markets		
The United States of America (the "USA")	223,589	175,298
Italy	14,656	13,710
Hong Kong	6,871	2,931
United Kingdom	457	1,675
Others (Note b)	583	658
	246,156	194,272
Timing of revenue recognition		
At a point in time	246,156	194,272
Transferred over time	-	-
	246,156	194,272



Note a: Others mainly includes other products like dresses, suits, gowns, scarves, jumpsuits and vests and licensing income.

Note b: Others mainly includes Netherlands and Canada.

Information about the Group's non-current assets

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

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Hong Kong ("Hong Kong")	56,981	46,003
The People's Republic of China (the "PRC")	7,220	17,938
Sri Lanka	54,134	58,537
	118,335	122,478

6. OTHER GAINS AND LOSSES, NET

	Six months ended 30 September	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Fair value changes on prepaid insurance premium	105	116
Expected credit loss reversed/(recognised) on trade and other receivables, net	-	1,943
Net exchange gain/(loss)	(260)	(486)
	(155)	1,573



7. FINANCE COSTS

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interest on bank borrowings		
– trust receipt loans	1,320	1,480
– term and revolving loans	716	1,191
– bank overdraft	–	1
Interest expenses on lease liabilities	283	397
Interest expenses on loans from a director	–	580
Interest expenses on loans from a related party	–	428
	2,319	4,077

8. INCOME TAX EXPENSE

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Hong Kong profits tax		
– current taxation	–	–
– under provision in prior years	–	56
	–	56
Oversea profits tax		
– current taxation	–	–
– under provision in prior years	–	9
	–	9
Deferred tax:		
– Current period	–	235
	–	300



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. The Group has decided not to accrue for any tax expense for the Reporting Period until the year-end.

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying group entity will be taxed at 8.25% and assessable 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%. A HK subsidiary of the Group has been entitled to a concessionary tax rate of 50% on the transactions made with a PRC subsidiary of the Group under the relevant contract processing arrangement for the both periods.

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

The provision for Sri Lanka Corporate Income Tax is based on the statutory rate of 14% (six months ended 30 September 2020: 14%) of the assessable profit of the Sri Lanka subsidiaries of the Group as determined in accordance with the Sri Lanka's Inland Revenue.

9. PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	2,701	2,914
Depreciation of right-of-use assets	4,299	4,784
Realisation of deferred gain from convertible promissory note*	–	(720)
Fair value changes on prepaid insurance premium	(105)	(116)
Employee costs (including directors' emoluments)	49,664	52,845
Credit relating to negative variable lease payments not included in the measurement of lease liabilities*	–	(750)
Government grants*	–	(2,890)
Interest income*	(917)	(99)

* Included in other revenue



10. DIVIDENDS

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interim dividends	–	–

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2021 (Six months ended 30 September 2020: Nil).

11. EARNINGS PER SHARE

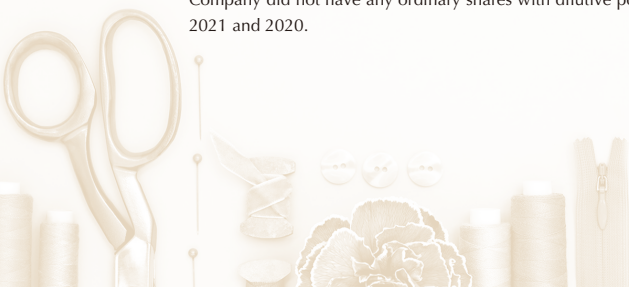
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2021 and 2020.

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of calculations of basic earnings per share	329	572

	Six months ended 30 September	
	2021 '000 (Unaudited)	2020 '000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of calculations of basic earnings per share	518,033	800,000

The weighted number of shares were lower as at 30 September 2021 because of the 4 to 1 stock consolidation completed on 6 July 2021.

Diluted earnings per share for the six months ended 30 September 2021 and 2020 was not presented as the Company did not have any ordinary shares with dilutive potential in issue for the six months ended 30 September 2021 and 2020.



12. 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 condensed 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 period, the deposit and prepayment for the Policy are pledged to secure general banking facilities granted to the Group.

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

The fair value gain of HK\$105,000 (Six months ended 30 September 2020: fair value gain of HK\$116,000) has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2021.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2021, the Group acquired property, plant and equipment with a cost of approximately HK\$258,000 (for the six months ended 30 September 2020: HK\$748,000).



14. INTANGIBLE ASSETS

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trademark		
Cost	10,850	10,850
Less: Impairment	(3,244)	(3,244)
At the end of the period/year	7,606	7,606

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 and will not be amortised.

Impairment tests for trademark with indefinite useful life

As at 30 September 2021, the recoverable amount of the trademark with indefinite useful life was determined based on value in use calculation by reference to the valuation information prepared by management (31 March 2021: the recoverable amount of the trademark with indefinite useful life was determined based on value in use calculation by reference to the valuation information prepared by management). 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 20.4% per annum (31 March 2021: 20.4% per annum). 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 six months ended 30 September 2021 and 30 September 2020, no impairment loss was recognised in respect of the trademark. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount measurement is based would not cause the carrying amount to exceed its recoverable amount.



15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

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

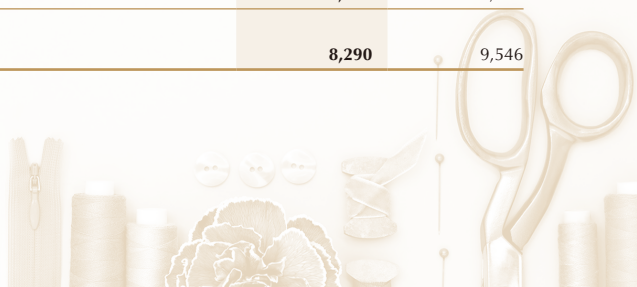
	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Leasehold land leased for own use, carried at depreciated cost	21,959	22,249
Properties leased for own use, carried at depreciated cost	7,862	9,072
	29,821	31,321

During the six months ended 30 September 2021, additions to right-of-use assets were HK\$2,835,000 (Six months ended 30 September 2020: no additions to right-of-use assets). This amount related to the capitalised lease payments payables under new tenancy agreements).

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities.

Lease liabilities

	As at 30 September 2021 HK\$'000 (Unaudited)	As at 31 March 2021 HK\$'000 (Audited)
Maturity analysis		
Less than one year	2,727	6,229
Over one year and more	5,563	3,317
Total lease liabilities	8,290	9,546
Analysed as:		
Current portion	2,727	6,229
Non-current portion	5,563	3,317
	8,290	9,546



16. GOODWILL

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	18,122	18,148
Exchange differences	–	(26)
Goodwill	18,122	18,122

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

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Manufacturing and trading of apparel products	18,122	18,122

The recoverable amount for the 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, with each of the scenarios probability weighted. In view of the fact that the U.S. retail market has recovered strongly from the depressed trading conditions caused by the pandemic in 2020 and that the Group’s sales performance has likewise rebounded significantly from the six months ended in the corresponding period, the management believes that there will not be any possible material adverse change in the value of goodwill for the period from 31 March 2021 to 30 September 2021.

17. INVENTORIES

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Raw materials	17,655	19,922
Work-in-progress	1,068	2,735
Finished goods	4,684	13,192
	23,407	35,849



18. TRADE AND OTHER RECEIVABLES

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Trade receivables	243,681	159,523
Less: Loss allowances on trade receivable	(16,920)	(16,920)
	226,761	142,603
Prepayment	752	2,491
Other receivables (Note)	25,173	20,764
Less: Loss allowances on other receivables	(6,523)	(6,523)
Utilities and sundry deposits	1,759	1,650
	247,922	160,985
Non-current	11,596	11,596
Current	236,326	149,389
	247,922	160,985

Note: Included in other receivables, an amount of HK\$19,820,000 (equivalent to US\$2,555,000) (31 March 2021: HK\$19,820,000) is due from a non-related company which is a customer and the convertible note issuer of the Group which has good business relationship with the Group as at 30 September 2021 and 31 March 2021.

The amount is unsecured, interest free and repayable on demand, except for an amount of HK\$11,596,000 (31 March 2021: HK\$11,596,000) which the directors expect it to be repaid beyond the next twelve months.



The Group allows a credit period ranging from 30 days to 90 days for its trade customers. The aging analysis of trade receivables, net of loss allowances at the end of reporting period based on the invoice date, is as follows:

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
0-30 days	55,536	27,775
31-90 days	96,185	59,919
91-365 days	26,210	31,295
Over 365 days	48,830	23,614
	226,761	142,603

The movement in the allowance for expected credit loss of trade receivables during the current interim period/year was as follows:

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	16,920	52,762
Expected credit loss reversed on trade receivables during the period/year	-	(35,842)
At the end of the period/year	16,920	16,920



19. CONVERTIBLE PROMISSORY NOTE

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
At the beginning of the period/year	3,292	3,214
Changes in fair value	–	78
	3,292	3,292

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 contains 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.

By taking into consideration of the factors: (i) management’s expectations for the market development; (ii) the continuity of the cooperation relationship with business partners; and (iii) there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies; the management does not expect any material change in the fair value of the convertible promissory note for the period from 31 March 2021 to 30 September 2021. The fair value of the convertible promissory note was determined with reference to valuation at 31 March 2021 carried out by an independent valuer, Graval Consulting Limited using market approach.



20. TRADE, BILLS AND OTHER PAYABLES

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade payables	45,585	23,935
Bills payables	46,891	37,941
Other payables and accruals	19,517	14,761
	111,993	76,637

An ageing analysis of trade payables based on invoice dates is as follows:

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
0–30 days	39,720	18,473
31–90 days	5,313	4,806
91–365 days	499	245
Over 365 days	53	411
	45,585	23,935

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.



21. BANK BORROWINGS

During the six months ended 30 September 2021, the Group obtained new bank borrowings of HK\$344,388,000 (Six months ended 30 September 2020: HK\$161,702,000) and made repayments of HK\$352,337,000 (Six months ended 30 September 2020: HK\$146,440,000). These bank borrowings obtained and repaid are mainly denominated in Hong Kong dollar (“HKD”) and US dollar (“USD”). All of the bank borrowings are repayable on demand (with demand clause) or within one year. The bank borrowings raised were mainly used as revolving trade finance facilities or as working capital of the Group.

The bank borrowings of the Group are mainly variable rate borrowings. The range of effective interest rates of bank borrowings of the Group is 0.51%–2.37% (31 March 2021: 0.51%–4.75%) per annum and are repayable by installments over a period from one to three years. The bank borrowings of the Group are secured by (a) certain assets of the Group, (b) two properties (including 18th and 19th floors and four car parking spaces located in Win Plaza, San Po Kong, Kowloon) of related companies, which are owned indirectly by the largest single shareholder of the Group and a former controlling shareholder (currently also a director) of the Group, and (c) the personal guarantees of the former controlling shareholder (currently also a director), the largest single shareholder and his spouse who is also a director of the Company.

22. LOANS FROM A DIRECTOR/SHAREHOLDER

At 13 July 2021, 30 August and 7 September 2021, loans of HK\$11,700,000, HK\$5,000,000 and HK\$4,000,000 were advanced from a director, Ms. Wong Mei Wai Alice, a spouse of the largest single shareholder of the Company. The balances are unsecured, interest free and are due upon the expiry of 3 years from the dates of drawdown.

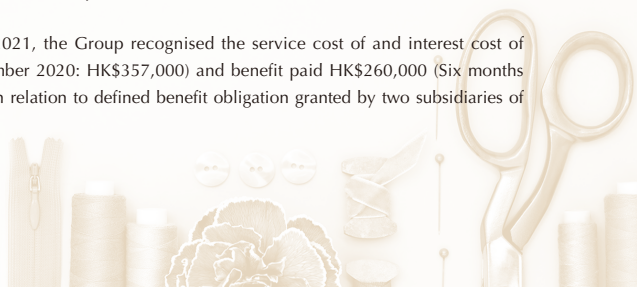
23. DEFINED BENEFIT OBLIGATION

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

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

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

For the six months ended 30 September 2021, the Group recognised the service cost of and interest cost of HK\$347,000 (Six months ended 30 September 2020: HK\$357,000) and benefit paid HK\$260,000 (Six months ended 30 September 2020: HK\$136,000) in relation to defined benefit obligation granted by two subsidiaries of the Group located in Sri Lanka.



24. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	Number of ordinary shares of HK\$0.04 each	Nominal value <i>HK\$</i>	Share premium <i>HK\$</i>
Authorised:				
At 1 April 2020, 31 March 2021 and 1 April 2021	10,000,000,000	–	100,000,000	–
Share Consolidation (<i>note</i>)	(10,000,000,000)	2,500,000,000	–	–
At 30 September 2021	–	2,500,000,000	100,000,000	–
Issued and fully paid:				
At 1 April 2020, 31 March 2021 and 1 April 2021	800,000,000	–	8,000,000	66,540,898
Share Consolidation (<i>note</i>)	(800,000,000)	200,000,000	–	–
At 30 September 2021	–	200,000,000	8,000,000	66,540,898

Note: With effect from 6 July 2021, every four (4) issued and unissued shares of the Company of nominal value HK\$0.01 each were consolidated into one (1) consolidated share of the Company of nominal value HK\$0.04 each (the “Share Consolidation”). Further details of the Share Consolidation are set out in the announcements dated 3 June 2021, 2 July 2021 and circular of the Company dated 11 June 2021.



25. RELATED PARTY DISCLOSURES

Related party transactions

The Group entered into the following transactions with its related parties during the six months ended 30 September 2021 and 2020:

Name of entities/person	Relationship with the Group	Nature of transactions	Six months ended 30 September	
			2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Fairyard Garment Manufacturing Company Limited	Mr. William Choi (Director of the Group)	Loan interest expense	–	428
Ms. Wong Mei Wai Alice	Director of the Group and spouse of shareholder	Loan interest expense	–	580
Kam Li Fashion Factory	Common shareholder, Mr. CW Siu	Motor vehicle rental expense	–	43
Full Submit Development Limited	Common shareholder, Mr. CW Siu	Motor vehicle rental expense	–	50
Win 18 Limited ("Win 18")	Common shareholder, Mr. CW Siu and common directors, Mr. William Choi and Ms. Wong Mei Wai Alice	Rental expenses (Note i)	750	750
Win 19 Limited ("Win 19")	Common shareholder, Mr. CW Siu and common directors, Mr. William Choi and Ms. Wong Mei Wai Alice	Rental expenses (Note i)	750	750

Note i: Rental fees paid were charged at a fixed monthly fee mutually agreed. These transactions were de minimis continuing connected transactions exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.



Compensation of directors and key management personnel

	2021 HK\$'000 (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Salaries and other allowances	4,286	4,612
Retirement benefit scheme contributions	42	57
Total	4,328	4,669

Related party balances

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

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Amounts due from related parties (<i>note a</i>)	2	108
Amounts due to related parties (<i>note a</i>)	(2,697)	(742)

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



26. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Financial assets		
<i>Financial assets at fair value through profit or loss</i>		
– Convertible promissory note	3,292	3,292
<i>Financial assets at amortised cost</i>		
– Trade and other receivables	247,170	158,494
– Amount due from Related Parties	2	108
– Cash and cash equivalents	53,766	63,853
	304,230	225,747
Financial liabilities		
<i>At amortised cost</i>		
– Trade, bills and other payables	111,993	76,637
– Amounts due to related parties	2,697	742
– Bank overdrafts	–	53
– Bank borrowings	229,048	237,022
– Lease liabilities	8,290	9,546
– Loan from a director	20,700	–
	372,728	324,000



(b) **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 condensed consolidated financial statements approximate 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	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 30 September 2021				
Convertible promissory note	–	–	3,292	3,292
As at 31 March 2021				
Convertible promissory note	–	–	3,292	3,292

There was no transfer between levels during the period.

