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 2022

Contents

Corporate Information

EXECUTIVE DIRECTORS

Ms. Wong Mei Wai Alice *(Chairperson)*
Mr. Siu Yik Ming
Mr. Chung Sam Kwok Wai

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kee Huen Michael
Mr. Tsang Ho Yin
Ms. Zhang Lingling
Mr. Choi Wai Hin (appointed on 8 July 2022)

JOINT COMPANY SECRETARIES

Mr. Kwong Lun Kei Victor
Ms. Wong Wing Yee

AUDIT COMMITTEE

Mr. Chan Kee Huen Michael *(Chairperson)*
Mr. Tsang Ho Yin
Ms. Zhang Lingling
Mr. Choi Wai Hin (appointed on 8 July 2022)

REMUNERATION COMMITTEE

Mr. Tsang Ho Ying *(Chairperson)*
Ms. Wong Mei Wai Alice
Mr. Chan Kee Huen Michael
Ms. Zhang Lingling
Mr. Choi Wai Hin (appointed on 8 July 2022)

NOMINATION COMMITTEE

Ms. Wong Mei Wai Alice *(Chairperson)*
Mr. Chan Kee Huen Michael
Mr. Tsang Ho Yin
Ms. Zhang Lingling
Mr. Choi Wai Hin (appointed on 8 July 2022)

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

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught 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

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

United Overseas Bank Limited
28th Floor Champion Tower
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

	For the year ended 31 March	
	2022	2021
Operating results (HK$'000)		
Revenue	455,970	371,276
Gross profit	61,069	43,849
Gross profit margin	13.39%	11.81%
Selling and distribution costs	(24,863)	(23,922)
General and administrative expense	(50,814)	(51,419)
Operating loss	(1,174)	(25,939)
Expected credit loss recognised on trade and other receivable, net	(37,673)	(7,314)
Loss for the year	(38,847)	(33,253)
Add: Depreciation of property, plant and equipment	5,155	5,495
Depreciation of right-of-use assets	7,750	9,172
Finance costs	4,537	6,033
Deferred tax adjustment	(6,612)	(2,027)
EBITDA	(28,017)	(14,580)
Expected credit loss recognised on trade and other receivable, net	(37,673)	(7,314)
EBITDA before ECL	9,656	(7,266)
Financial position (HK$'000)		
Cash and bank balances	33,391	63,853
Total assets	324,238	384,578
Net assets attributable to owners	26,845	57,003
Key ratios		
Net loss margin	-8.5%	-9.0%
Loss per share		
– Basic and diluted (HK cents)	-19.42	-16.63
Return on total assets	-12.0%	-8.6%
Return on average total equity	-92.7%	-58.5%
Interest coverage ratio	(9.0 times)	(4.8 times)
Current ratio	0.76	0.79
Quick ratio	0.61	0.68
Gearing ratio	603.0%	415.8%
Debt-to-equity ratio	478.6%	303.8%

* EBITDA represents the profit before income tax credit, 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.

** The comparative figures have been reclassified to conform to the current year's presentation.

Chairwoman'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 2022.

I am pleased to report that the year ending 31 March 2022 (the "reporting period") was a year of recovery for the Company as the U.S. economy gradually returned to normalcy after the massive rollout of vaccines starting in December 2020. Owing to the long lead time in our order/production cycle, the increase in orders was more subdued in the early part of our reporting period but noticeably gathered pace in the Spring Summer season in the first quarter of 2022, and continued on to the Fall Holiday season for the year 2022/2023. The total sales of the Company during the reporting period increased by 22.8% from HK$371,276,000 to HK$455,970,000.

What is noteworthy is that sales to the Company's largest customer increased by 15.8% during the reporting period but its proportion of our total sales dropped to 70.3% from 74.7% in a YOY comparison. This speaks to the efforts we have made in diversifying our sales as the new premium fashion brands developed within the last two years started to bear fruit. If we remove the airline uniform business in our comparison (which is unlikely to return in the foreseeable future because of the impact from COVID-19 on the airline industry), the Company based on orders-on-hand is on track to exceed the highest sales achieved pre-pandemic in the coming year 2022/2023, barring any precipitous drop in retail demand possibly due to the high inflation rate, rising interest rates and anxieties over the Russian/Ukraine conflict, etc.

Having completed the retrenchment in our Panyu, China factory and the Hong Kong office, the Company has adopted a leaner operating structure in coping with the travails in the last two years and positioning itself for the future. In addition, the Company has also kept the capacity of our Sri Lanka factories at an optimal level to minimize the impact from the lower demand in off season. Any excess demand on our production capacity will be met from the Group's outsourced factories in China and chiefly, Philippines. All told, by reducing overheads throughout the Company's operations, it achieves a lower breakeven volume to deal with future fluctuations in sales revenue.

The EBITDA for the reporting period, before provision for expected credit loss, was a gain of HK$9,656,000 which was a significant improvement over the EBITDA loss of HK$7,266,000 in the corresponding period. Including expected credit loss, the EBITDA for the reporting period was a loss of HK$28,017,000 as compared to a loss of HK$14,580,000 for the corresponding period. The expected credit loss largely in the accounts receivable from one customer was approximately HK$37,673,000 in the reporting period compared with HK$7,314,000 in the corresponding period. The Company is confident of eventual recovery of the account receivable from this customer as it recovers from the impact of COVID-19.

APPRECIATION

I would like to take this opportunity to thank all our employees for their contribution in developing new customers and implementing cost saving measures in the last two years. This has laid the foundation for a leaner and more efficient organization enabling a return to profitable growth for the Company in the near future. I also wish to express my gratitude to our customers, suppliers and bankers for their trust, patience and support as we work hard to deal with the challenges in the last few years.

Wong Mei Wai Alice
Chairperson

30 June 2022

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 United States (the "U.S.") and certain European countries such as the United Kingdom (the "U.K.") with their products sold around the world. In particular, the Group has established a long standing relationship with its largest customer which 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 high-end fashion brands from the U.S. and a well-known U.K. luxury brand.

As at 31 March 2022, the Group owned three production facilities; one located in the PRC and two in Sri Lanka. The Group has also outsourced its production to an approved group of factories in the Philippines since 2012. The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK") on 19 October 2018.

BUSINESS REVIEW

Financial Overview

In 2021, the emergence of the COVID-19 Omicron variant has resulted in interruption of factory production and global supply chain, although to a much lesser degree than in 2020. Due to vaccines being widely available in the U.S. and the economy gradually returning to normalcy, demand for apparels recovered strongly during the holiday season of 2021 after almost two years of market sluggishness.

For the year ended 31 March 2022 (the "Year under Review"), the Group's revenue increased by about 22.8% to approximately HK$455,970,000 from approximately HK$371,276,000 for the year ended 31 March 2021 (the "corresponding period"). The gross profit margin of the Group increased from 11.8% for the year ended 31 March 2021 to 13.4% for the Year under Review mainly due to effective cost control over the Group.

During the Year under Review, the Group completed the relocation of its factory in Panyu, China to a much smaller space and operated with a leaner production crew, focusing on more up-market and tailored apparels demanding a higher level of workmanship. Meanwhile, part of the merchandizing function in Hong Kong has migrated to the China factory which has always been an important technical and product development center of the Company. Overall, the total headcount of the Group was reduced by about 200 in the Year under Review. Both the selling & distribution, and general & administration expenses either held steady or showed a slight decrease notwithstanding a 22% increase in sales revenue for the Year under Review.

The operating loss of the Group, before provision for estimated credit loss, was HK$1,174,000 for the Year under Review as compared to a loss of HK$25,939,000 in the corresponding period. Excluding the additional government subsidy and rent concession of about HK$5,399,000 in the corresponding period, the improvement in our operating results for the Year under Review is approximately HK$30,164,000.

The net loss for the Year under Review amounted to approximately HK$38,847,000 (2021: loss of approximately HK$33,253,000). The significant loss for the Year under Review was attributable to the exceptionally large provision for expected credit loss on trade and other receivables of approximately HK$37,673,000 (2021: HK$7,314,000) as a result of much slower settlement of receivables of a customer impacted by COVID-19.

The EBITDA for the Year under Review, before expected credit loss was a gain of HK$9,656,000 compared with a comparable EBITDA loss of approximately HK$7,266,000 for the corresponding period.

Management Discussion and Analysis

Revenue

The Group's apparel products can generally be divided into four categories, namely (i) outerwear (which includes mainly jackets, coats and blazers and is 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, sleepwear, vests and masks, and are chiefly made of cotton, wool and wool blend).

The following table sets out the contributions to the Group's revenue by product categories:

	2022			2021		
	Revenue HK$'000	Quantity Pcs'000	Unit Price HK$	Revenue HK$'000	Quantity Pcs'000	Unit Price HK$
Outerwear	165,506	477	346.7	151,776	408	373.7
Bottom	175,695	1,576	111.5	140,194	1,190	117.8
Top	50,699	346	146.4	36,553	148	246.8
Others	63,415	419	151.3	42,589	302	149.4
	455,315	2,818		371,112	2,048	
Licensing and related income	655	–		164	–	
	455,970	2,818		371,276	2,048	

Revenue from all product categories increased in unison during the Year under Review driven by robust sales orders from the major customers in the U.S.. The top-growing category in apparel was sleepwear which was included in the category of "Others", as more people were spending time at home during the pandemic.

The following table sets out the contributions to the Group's revenue by locations:

	2022		2021	
	Revenue HK$'000	% of revenue	Revenue HK$'000	% of revenue
US	436,514	95.7%	349,453	94.1%
Italy	17,708	3.9%	18,899	5.1%
Hong Kong	71	0.1%	–	0.0%
UK	569	0.1%	1,850	0.5%
Others	1,108	0.2%	1,074	0.3%
	455,970	100.0%	371,276	100.0%

Other Revenue

Other revenue for the Year under Review was approximately HK$7,661,000 (2021: HK$11,513,000). The decrease was due to government grants of approximately HK$5,041,000 mainly from the Hong Kong Government and PRC local government authority for employment support, as well as a rent concession of approximately HK$1,000,000 from the controlling shareholders of the Company during the year ended 31 March 2021. On the other hand, sample sales income increased by HK$1,442,000 to HK$3,315,000 (2021: HK$1,873,000).

Other Gains and Losses, Net

The net other gains amounted to approximately HK$3,698,000 (2021: loss of approximately HK$1,954,000). It comprised chiefly of impairment of intangible assets of HK$858,000 (2021: HK$857,000), fair value gain on convertible promissory note of HK$1,942,000 (2021: HK$78,000), and net exchange gain of HK$2,321,000 (2021: a loss of HK$2,471,000).

Selling and Distribution Costs

Selling and distribution costs for the Year under Review increased by approximately 3.9% to approximately HK$24,863,000 (2021: approximately HK$23,922,000). It was mainly due to the promotion cost of HK$1,240,000 (2021: Nil) incurred for the brand JP by J. Peterman which is an extension of the brand J. Peterman.

General and Administrative Expenses

General and administrative expenses for the Year under Review were approximately HK$50,814,000, representing a decrease of approximately HK$605,000 from that of approximately HK$51,419,000 for the year ended 31 March 2021. For the Year under Review, the depreciation of property, plant and equipment and right of use assets was approximately HK$2,175,000 (2021: HK$2,548,000) and HK$3,161,000 (2021: HK$3,728,000) respectively. The decrease of 14.6% and 15.2% was mainly due to some fixed assets being fully depreciated.

Finance Costs

The Group's finance costs decreased by approximately 24.8% from approximately HK$6,033,000 for the year ended 31 March 2021, to approximately HK$4,537,000 for the Year under Review, mainly due to the gradual decrease in interest rate throughout the year.

Income Tax Credit

Due to the loss incurred by the Group, there was a deferred income tax credit of approximately HK$6,612,000 for the Year (2021: approximately HK$2,027,000).

Financial Position

As at 31 March 2022, the Group's cash and cash equivalents amounted to approximately HK$33,391,000 (2021: approximately HK$63,853,000). The decrease was mainly due to repayment of bank loans.

Bank borrowing decreased significantly by approximately HK$75,159,000 (approximately 31.7%) to approximately HK$161,863,000 as at 31 March 2022 (2021: approximately HK$237,022,000). It was mainly due to repayment of term loans and revolving loans.

DIVIDEND

The Company did not recommend the declaration of final dividend for the year ended 31 March 2022 (2021: Nil).

Management Discussion and Analysis

OUTLOOK

The U.S. economy, where the Group derives more than 90% of its sales, rebounded strongly in 2021 with the GDP closing the year about 5.7% higher than that of 2020 which contracted by about 3.4% from the ravages of the pandemic beginning in early 2020. In first quarter of 2022, the U.S. GDP unexpectedly declined at an annualized rate of 1.5%, a sharp reversal from the 6.9% growth in GDP in Q4 2021. This has been attributed to a number of factors including the rising COVID cases from the Omicron variant in early 2022, the highest inflation rate since early 1980's and the market anxiety arising from the Russia/Ukraine conflict. While the Omicron cases in the U.S. has subsided in Q2, inflation pressure on prices especially energy has continued unabated leading to the largest increase in interest rate since 1994. The resulting turmoil in the financial markets further adds to the woes of the economy.

What complicates the outlook is that the dim view of the economy is not universally shared. Although many business leaders are concerned that a recession in the second half of 2022 is virtually unavoidable, the Conference Board, representative of industrial interests in the U.S., is still forecasting, as of 15 June, a positive GDP growth every quarter from the second quarter of 2022 to the end of 2023. Meanwhile, one of the largest banks in the U.S. still sees strong consumer purchasing power (as evidenced by credit card debts lower than pre-pandemic level and historically low unemployment rate), household savings balance being far higher than it has ever been and a healthy and a growing loan portfolio. This is the uncertain economic environment we are faced with today.

The Group is cautiously optimistic that the sales recovery that started in 2021/2022 will continue in 2022/2023. As of the time of writing, the Group's orders-on-hand, which cover the bulk of its revenue to October 2022, indicate a growth in sales for the year ending 31 March 2023 at a rate no less than that for the corresponding year (the year ended 31 March 2021). Despite a deteriorating macro environment, we are hopeful that the premium brands the Company serves may weather this downturn better than mass market retailers. Even assuming a flat or a slight decrease in the orders for the coming 2023 Spring Summer season, the Group is expecting a notable increase in sales revenue in the coming year.

On costs and expenses, the Group has demonstrated restraint via a number of austerity measures since early 2020. Notwithstanding sales growth of about 22% in the Year under Review over the corresponding period, the total overhead expenses, in particular the staff costs, have declined albeit slightly from the corresponding period. The retrenchment and relocation of our factory in Panyu, China was also completed in October 2021, allowing the Group to fully realize monthly savings of at least US$1 million from rent and employee costs.

The Company will continue its efforts to lower overhead costs, diversify its sales revenue and seek to expand its manufacturing base with outsourced factories. The anticipated expansion in operating margin from higher volume and the relatively lower fixed costs will most probably ensure a return to profitability in the year ending 31 March 2023.

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 manageable 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 2022, the Group had cash and bank balances amounting to approximately HK$33,391,000 (as at 31 March 2021: approximately HK$63,853,000), and current assets and current liabilities of approximately HK$203,416,000 (as at 31 March 2021: approximately HK$253,854,000) and HK$268,365,000 (as at 31 March 2021: approximately HK$320,683,000) respectively. It should be noted that the current liabilities balance as at 31 March 2022 included approximately HK$480,000 (2021: approximately HK$5,130,000), 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 2022, there were bank borrowings of approximately HK$161,863,000 (as at 31 March 2021: approximately HK$237,022,000). The bank borrowings are mainly denominated in Hong Kong dollar and US dollar. As at 31 March 2022, the Group's interest-bearing bank borrowings carried mainly variable rate borrowings with annual interest rate of 0.51% to 3.26% (2021: 0.51%–4.75%) per annum.

As at 31 March 2022, 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 603.0% (31 March 2021: approximately 415.8%). The increase was a direct result of the provision for estimated credit loss of HK$37,673,000 in the current year. Otherwise, the gearing ratio would have decreased to 250.9% as at 31 March 2022.

The bank borrowings of the Group are secured by (a) certain assets of the Group, (b) 18th and 19th floors of Win Plaza, San Po Kong, Kowloon, Hong Kong owned by two related companies which share common directors and shareholders of the Group, and (c) the personal guarantees of a substantial shareholder whose spouse is also a Director, and a director of subsidiaries of the Group.

To underline the continuing financial support to the Company from its controlling shareholders, a deed of waiver was granted to the Company discharging its obligation to repay a shareholder's loan totaling HK$11,700,000. This brings the cumulative contribution to-date to the Group's registered capital from our controlling shareholders to HK$45,700,000.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group employed approximately 1,381 full-time employees (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 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 2022, the Group had not experienced any strike, any significant problems with its employees or other significant labor 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 three months with effect from 1 April 2020. 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. Subsequent to June 2020, the original 30% reduction in salary for all employees was restored, save and except the most senior executives of the Company whose salaries were also restored in March 2022.

TREASURY POLICIES AND FOREIGN CURRENCY EXPOSURE

The business activities and operations of the Group are located mainly in Hong Kong, Mainland China, Philippines and Sri Lanka. The Group carries out foreign currency transactions in United States Dollars ("US$"), Euro ("EUR"), Renminbi ("RMB") and Sri Lankan Rupees ("LKR"), which expose it to foreign currency risks. The Group has not experienced any material difficulty or liquidity problems resulting from the foreign exchange fluctuations. It 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. It will also monitor exchange rate trends from time to time to consider if there is such a need for a currency hedging policy in the future in order to mitigate any risks arising from foreign exchange fluctuations.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2022, the Group has no capital commitment.

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

Directors and Senior Management

EXECUTIVE DIRECTORS

Ms. Wong Mei Wai Alice (王美慧), aged 65, 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 on 6 June 2017. She has been the chairperson of our Company since 23 March 2022 and she is also the chairperson of our Nomination Committee and a member of our Remuneration Committee of the 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 substantial shareholder of our Company, and the mother of Mr. Siu Yik Ming ("YM Siu"), an executive Director.

Ms. Alice Wong has accumulated more than twenty-eight 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 36, 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 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. In addition to being responsible for the management of our manufacturing facilities in Sri Lanka and the PRC, Mr. Siu spearheaded the development of JP by J. Peterman in June 2021 as an extension of the brand J. Peterman that the Company has owned since 2019.

Mr. YM Siu is the son of Mr. CW Siu, a substantial shareholder of our Company and Ms. Alice Wong, an executive Director and the chairperson of our Company.

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 67, 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 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 thirty 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kee Huen Michael (陳記煊), aged 70, was appointed as an independent non-executive Director on 21 September 2018. Mr. Chan is the chairperson of our audit committee and 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) a fellow member and specialist in Information Technology of CPA Australia. 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 and Senior Consultant of Cheng & Cheng Limited. 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 of Hong Kong Limited (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) 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 and Huarong Investment Stock Corporation Limited (stock code: 2277) from June 2016 to December 2020.

Mr. Tsang Ho Yin (曾浩賢), aged 36, was appointed as an independent non-executive Director on 28 September 2021. Mr. Tsang is the chairperson of our remuneration committee and a member of our audit committee and nomination committee. Mr. Tsang is primarily responsible for providing independent advice on our Group's strategy, policy formulation, corporate accountability and resources allocation.

Mr. Tsang was admitted as a solicitor in Australia and Hong Kong in May 2012 and December 2013, respectively. Mr. Tsang is currently a Partner of Stevenson, Wong & Co., specialising in corporate finance and commercial law. Mr. Tsang obtained a bachelor in laws degree and a bachelor in commerce (accounting) degree, both from the University of Melbourne, Australia in August 2008. Mr. Tsang obtained a master in laws degree from the University of Melbourne, Australia in August 2010. Mr. Tsang obtained the postgraduate certificate in laws from the City University of Hong Kong in July 2011.

Mr. Tsang is also a non-executive director of China Regenerative Medicine International Limited (stock code: 8158), the issued shares of which are listed on the GEM of the Stock Exchange, since January 2020 and an independent non-executive director of Crosstec Group Holdings Limited (stock code: 3893), the issued shares of which are listed on the Main Board of the Stock Exchange, with effect from 28 September 2021.

Mr. Tsang takes up the following roles of the following companies, the issued shares of which are listed on the Stock Exchange: (i) the joint company secretary and authorised representative of Mabpharm Limited (stock code: 2181) since May 2019; (ii) the company secretary and the authorised representative of Sunshine 100 China Holdings Limited (stock code: 2608) since November 2019; (iii) the joint company secretary and authorised representative of Sundy Service Group Co. Limited (stock code: 9608) since January 2021.

He was also the company secretary and the authorised representative of Mobile Internet (China) Holdings Limited (stock code: 1439) from February 2020 to February 2021; an independent non-executive director of Inno-Tech Holdings Limited (a company whose shares were listed on GEM of the Stock Exchange and delisted on 13 July 2021, stock code: 8202) from June 2019 to June 2020; the company secretary of Moody Technology Holdings Limited (stock code: 1400) from January 2019 to November 2019; and the company secretary and authorised representative of Sino Energy International Holdings Group Limited (stock code:1096) from November 2018 to July 2019.

Ms. Zhang Lingling (張玲玲), aged 30, was appointed as an independent non-executive Director on 1 December 2021 and is a member of our audit committee, remuneration committee and nomination committee. Ms. Zhang is primarily responsible for providing independent advice on our Group's strategy, policy formulation, corporate accountability and resources allocation.

Ms. Zhang graduated from Chengdu University of Information Technology with a bachelor's degree in Accountancy in 2013 and The Open University of Hong Kong with a master's degree in Business Administration in 2019. She has solid experience in financial analysis, initial public offerings and fund raising in secondary market. Ms. Zhang obtained the securities qualification certificate of The Securities Association of China, the fund qualification certificate of Asset Management Association of China and the Certification of China Banking Professional. She is now the vice president and a representative of Funderstone Securities Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), and a representative of Funderstone Futures Limited, a corporation licensed to carry out Type 2 (dealing in future contracts) regulated activity under the SFO. Ms. Zhang is currently the independent non-executive director of Huisen Household International Group Limited (stock code: 2127), a company listed on the Main Board of the Stock Exchange.

Mr. Choi Wai Hin (蔡瑋軒), aged 42, was appointed as an independent non-executive Director on 8 July 2022 and is a member of our audit committee, remuneration committee and nomination committee. Mr. Choi is primarily responsible for providing independent advice on our Group's strategy, policy formulation, corporate accountability and resources allocation.

Mr. Choi obtained a bachelor degree in accountancy from The Hong Kong Polytechnic University in November 2002. He is a fellow of the Hong Kong Institute of Certified Public Accountants and has 20 years of practical experience in relation to accounting, budgeting and controlling, treasury, fund raising, corporate finance, PRC tax planning, group reorganisation and regulatory requirements of capital market in Hong Kong. Mr. Choi has been the chief financial officer of Weiye Holdings Limited, the issued shares of which are listed on the Stock Exchange (stock code: 1570), since December 2019. He was also the chief financial officer of Karrie International Holdings Limited, the issued shares of which are listed on the Stock Exchange (stock code: 1050), from August 2014 to December 2019.

SENIOR MANAGEMENT

Mr. Lau Kwong Fai Anders (劉光輝), aged 47, 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 26 years of experience in merchandising and sourcing field.

JOINT COMPANY SECRETARIES

Mr. Kwong Lun Kei Victor (鄺麟基) is a partner of Michael Li & Co, which the Company has engaged as an external service provider of company secretarial services. Mr. Kwong, aged 40, is a practising solicitor and was admitted as a solicitor in Hong Kong in 2010. He obtained his Bachelor of Laws and Bachelor of Commerce from the University of New South Wales, Australia in 2007. He has over ten (10) years of experience in corporate finance and primarily advises on listings of companies on the Stock Exchange, mergers and acquisitions, regulatory compliance and other commercial law matters. Mr. Kwong has also been the company secretary of Brainhole Technology Limited (stock code: 2203) and Zhong Ao Home Group Limited (stock code: 1538), which are companies listed on the Main Board of the Stock Exchange, since 1 April 2020 and 1 January 2022, respectively.

Ms. Wong Wing Yee (黃穎儀) has been a member of The Hong Kong Institute of Certified Public Accountants since 2009 and completed the Master of Corporate Governance and Compliance Program in March 2022. Ms. Wong has extensive experience in the field of accounting and auditing. She first joined the Group in September 2013 and is currently the finance manager of the Company.

Corporate Governance Report

The board (the "Board") of directors (the "Directors") of Sterling Group Holdings Limited (the "Company") is committed to developing 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, managing sustainable operation, enhancing transparency and safeguarding shareholders' interests.

For the financial year ended 31 March 2022, except for code provision C.2.1 which is considered justified and explained, the Company has adopted and complied with all the code provisions of the Corporate Governance Code (the "CG Code") in force during the period, as set out in Appendix 14 of the Rules (the "Listing Rules") Governing the Listing of Securities on 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 composition of the Board as at the date of this report is as follows:

Executive Directors

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

Independent Non-Executive Directors

4. Mr. Chan Kee Huen, Michael
5. Mr. Tsang Ho Yin
6. Ms. Zhang Lingling
7. Mr. Choi Wai Hin (appointed on 8 July 2022)

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 Directors and Senior Management section on pages 12 to 15.

Regular Board meetings are held at least four times a year at approximately quarterly intervals for reviewing the Group's financial and operating performance, discussing and approving annual and interim results and considering and approving the overall strategies of the Company. For the financial year ended 31 March 2022, the Company has held an annual general meeting and six Board meetings including four regular Board meetings in accordance to the principles and requirements set out in code provision A.1. The Board meetings during the reporting period were chaired by our then chairperson, Mr. Choi Siu Wai, William.

Board	Gender	Number of Attendance/ Number of Board Meeting	Number of Attendance/ Number of Annual General Meeting	Number of Attendance/ Number of Extraordinary General Meeting
Non-Executive Director:				
Mr. Choi Siu Wai, William *(Chairperson of the Board) (resigned on 23 March 2022)*	M	5/6	1/1	1/1
Executive Directors:				
Ms. Wong Mei Wai, Alice *(Chairperson of the Board and CEO)*	F	6/6	1/1	1/1
Mr. Chung Sam Kwok Wai *(CFO and COO)*	M	6/6	1/1	1/1
Mr. Siu Yik Ming	M	6/6	1/1	1/1
Independent Non-Executive Directors:				
Mr. Chan Kee Huen, Michael	M	6/6	1/1	1/1
Mr. Cheng King Hoi, Andrew *(retired on 28 September 2021)*	M	1/1	1/1	1/1
Mr. Ko Ming Tung, Edward *(resigned on 1 December 2021)*	M	4/4	1/1	1/1
Mr. Tsang Ho Yin *(appointed on 28 September 2021)*	M	4/4	0/0	0/0
Ms. Zhang Lingling *(appointed on 1 December 2021)*	F	2/2	0/0	0/0

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 Chairperson 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 2022, 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 and the chairperson of the committee is an independent non- executive director.

The Board considers itself as having complied with and attained the code provision and it is objective relating to Board Diversity.

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

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years and continues thereafter, which is subject to retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles of Association"), and may be terminated by either party upon a three-months prior written notice. Each of non-executive Directors and independent non-executive Directors has accepted the appointment by signing an appointment letter from the Company for an initial 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.

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.

For the financial year ended 31 March 2022, the Board considers that all Directors have devoted sufficient time and interest commitment and brought valuable contributions and attributes to the Company as summarized below.

	Contributions & Attributes					
Directors	Industry Knowledge	Business Management	Financial Management	Legal & Compliance	Public Services	Other Listed Exp.
Mr. Choi Siu Wan, William *(resigned on 23 March 2022)*	✔	✔				
Ms. Wong Mei Wai, Alice	✔	✔				
Mr. Chung Sam Kwok Wai	✔	✔	✔	✔		✔
Mr. Siu Yik Ming	✔	✔				
Mr. Chan Kee Huen, Michael			✔	✔	✔	✔
Mr. Cheng King Hoi, Andrew *(retired on 28 September 2021)*		✔			✔	✔
Mr. Ko Ming Tung, Edward *(resigned on 1 December 2021)*				✔	✔	✔
Mr. Tsang Ho Yin *(appointed on 28 September 2021)*			✔	✔	✔	✔
Ms. Zhang Lingling *(appointed on 1 December 2021)*			✔		✔	✔

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

In the material time of the financial year ended 31 March 2022, Mr. Choi, William Siu Wai acted as the chairperson of the Company. Upon the resignation of Mr. Choi, Ms. Wong Mei Wai Alice became the chairperson and chief executive officer of the Group on 23 March 2022. She has extensive experience in the garment industry and is responsible for providing leadership to the Board, ensuring its effectiveness in setting and implementing the Group's strategy and corporate policies, monitoring day-to-day management and performance of the Group. The Board believes that vesting the roles of chairperson and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which is comprised of experienced and high caliber individuals. The Board currently consists of three executive Directors and three independent non-executive Directors and has a strong independence element in its composition.

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 Committees 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 Secretaries 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.

The Audit Committee consists of three members, namely, Mr. Tsang Ho Yin, Ms. Zhang Lingling and Mr. Chan Kee Huen, Michael who is chairmen of the Audit Committee and has professional qualifications and experience in accounting and finance management as stipulated in the Listing Rules. Mr. Cheng King Hoi, Andrew and Mr. Ko Ming Tung, Edward, former independent non-executive Directors, were members of the Audit Committee prior to their retirement and resignation on 28 September 2021 and 1 December 2021 respectively.

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 Board has the ultimate responsibilities in upholding Corporate Governance of the Group while delegating certain particular duties to the Audit Committee, including but not limited to the following:

- 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 2022, 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; (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 2022, the Audit Committee has held 4 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 *(Chairperson of Audit Committee)*	4/4
Mr. Ko Ming Tung, Edward *(resigned on 1 December 2021)*	4/4
Mr. Cheng King Hoi, Andrew *(retired on 28 September 2021)*	3/3
Mr. Tsang Ho Yin *(appointed on 28 September 2021)*	1/1
Ms. Zhang Lingling *(appointed on 1 December 2021)*	0/0

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 established our Remuneration Committee in compliance with the code provision of the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

The Remuneration Committee consists of four members, including one executive Director, namely Ms. Wong Mei Wai Alice, and three independent non-executive Directors, namely Mr. Tsang Ho Yin, Ms. Zhang Lingling and Mr. Chan Kee Huen, Michael. The Remuneration Committee consisted of a majority of independent non-executive Directors as stipulated in the Listing Rules, which was chaired by Mr. Ko Ming Tung, Edward prior to his resignation on 1 December 2021, and is chaired by Mr. Tsang Ho Yin since 1 December 2021.

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 2022, 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. Tsang Ho Yin *(Chairperson of Remuneration Committee and appointed on 28 September 2021)*	1/1
Mr. Ko Ming Tung, Edward *(resigned on 1 December 2021)*	0/0
Mr. Chan Kee Huen, Michael	1/1
Mr. Cheng King Hoi, Andrew *(retired on 28 September 2021)*	0/0
Ms. Zhang Lingling *(appointed on 1 December 2021)*	1/1
Non-Executive Director:	
Mr. Choi Siu Wai, William *(resigned on 23 March 2022)*	0/1
Executive Director:	
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 established our Nomination Committee in compliance with the code provision of the Corporate Governance Code set out in Appendix 14 of the Listing Rules.

The Nomination Committee consists of four members, including one executive Director, namely Ms. Wong Mei Wai Alice, and three independent non-executive Directors, namely Mr. Tsang Ho Yin, Ms. Zhang Lingling and Mr. Chan Kee Huen, Michael. The Nomination Committee consisted of a majority of independent non-executive Directors as stipulated in the Listing Rules, which was chaired by Mr. Choi Siu Wai, William prior to his resignation on 23 March 2022, and is chaired by Ms. Wong Mei Wai Alice since 23 March 2022.

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 2022, the Nomination Committee has held four meetings 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
Executive Director and Chairperson of the Board:	
Ms. Wong Mei Wai, Alice *(Chairperson of Nomination Committee)*	4/4
Non-Executive Director:	
Mr. Choi Siu Wai, William *(resigned on 23 March 2022)*	4/4
Independent Non-Executive Directors:	
Mr. Ko Ming Tung, Edward *(resigned on 1 December 2021)*	3/3
Mr. Chan Kee Huen, Michael	4/4
Mr. Cheng King Hoi, Andrew *(retired on 28 September 2021)*	1/1
Mr. Tsang Ho Yin *(appointed on 28 September 2021)*	3/3
Ms. Zhang Lingling *(appointed on 1 December 2021)*	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.

It is our policy that for newly appointed directors, they will receive 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.

During the year ended 31 March 2022, 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
Mr. Tsang Ho Yin	A, B
Ms. Zhang Lingling	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 Director 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 2022, 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.

JOINT COMPANY SECRETARIES

For the period from 1 April 2021 to 17 January 2022, Ms. Chan Yuet Kwai was the Company Secretary of the Company. Ms. Chan resigned as the Company Secretary with effect from 18 January 2022. Ms. Wong Wing Yee is an employee of the Company and is a member of The Hong Kong Institute of Certified Public Accountants while Mr. Kwong Lun Kei Victor is an outsourced company secretary of the Company and is a qualified lawyer in Hong Kong. By the policy of the Company, they have direct reporting duty to the Board. Mr. Kwong's primary corporate contact person at the Company is fellow joint company secretary, Ms. Wong.

During the Reporting Period, the joint company secretaries have complied with the requirement of 15 hours of relevant professional training in accordance 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 chairperson 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 2022.

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.

Corporate Governance Report

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 2022 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 2022 is set out below:

	Amount of Fee For the year ended 31 March	
	2022 HK$	2021 HK$
Annual audit services	**1,280,000**	1,130,000
Non-audit services	**–**	156,000
Total	**1,280,000**	1,286,000

The Audit Committee has reviewed and considered the non-audit service, comprises interim review services reasonable and independent in nature and in amount.

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 management of Company has performed a risk assessment for identifying, evaluating, and prioritizing key risks of the Company, and designed and implement relevant internal controls taken into consideration of the risk appetite of the Company. The risk assessment is submitted to the Audit Committee for review in semi-annual basis. On a continuing basis, the Company has comprehended relevant policies and appointed relevant management for the execution of internal controls.

In addition to Board and oversight committees' meetings, the management of the Company has also provided all Directors with monthly update reports.

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 chairperson, 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 Joint Company Secretaries 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 2022.

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 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 50 of this Annual Report.

No interim dividend was paid for the six months ended 30 September 2021.

The Board does not recommend payment of a final dividend to Shareholders of the Company for the year ended 31 March 2022.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2022 is set out in the section headed "Management Discussion and Analysis" on pages 6 to 11 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 38(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 38(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 38(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 38(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 38(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 on 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 2022.

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 2022 is set out on page 134.

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 2022 are set out in Note 36 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 33 to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and of the Company during the year are set out on page 53 in the consolidated statement of changes in equity and Note 34 to the consolidated financial statements respectively.

The Company had no distributable reserves as at 31 March 2022, 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 20,000,000 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 2022 and there was no outstanding option as at 31 March 2022.

BANK BORROWINGS

Details of the bank borrowings of the Group are set out in Note 30 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 *(Chairperson of the Board and Chief Executive Officer)*
Mr. Chung Sam Kwok Wai *(Chief Financial Officer and Chief Operating Officer)*
Mr. Siu Yik Ming

Non-Executive Director

Mr. Choi Siu Wai, William *(resigned on 23 March 2022)*

Independent Non-Executive Directors

Mr. Chan Kee Huen, Michael
Mr. Cheng King Hoi, Andrew *(retired on 28 September 2021)*
Mr. Ko Ming Tung, Edward *(resigned on 1 December 2021)*
Mr. Tsang Ho Yin *(appointed on 28 September 2021)*
Ms. Zhang Lingling *(appointed on 1 December 2021)*
Mr. Choi Wai Hin *(appointed with effect from 8 July 2022)*

For compliance with code provision A.4.2 set out in the Corporate Governance Code of the Listing Rules and in accordance with Articles 83 and 84 of the Company’s Articles of Association, Ms. Wong Mei Wai Alice, Mr. Chan Kee Huen, Michael, Mr. Tsang Ho Yin, Ms. Zhang Lingling and Mr. Choi Wai Hin will retire by rotation. Ms. Wong Mei Wai Alice, Mr. Tsang Ho Yin, Ms. Zhang Lingling and Mr. Choi Wai Hin, being eligible, offer themselves for re-election as Directors at the forthcoming 2022 AGM. Mr. Chan Kee Huen Michael has decided not to offer himself for re-election as Director so as to devote more time to his personal commitments.

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/or up to date of this directors' report include Messrs. Siu Chi Wai, Hu Xiong Ping, Tse Chau Yin, Wickramasingha Senanayake Appuhamillage Wipul Abayanaga Senanayake, and Mak Chi Chung.

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 12 to 15.

INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVE

As at 31 March 2022, 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]	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 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 an initial term of three years and continues thereafter, 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-month prior written notice. Each of NED and INEDs has accepted an appointment by signing an appointment letter from 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.

None of the Directors proposed for re-election at the 2022 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 37 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 2022 or at any time during the year ended 31 March 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 March 2022, 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2022, 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	40,100,000 (L)	20.05%
Mr. Siu Chi Wai	Interest of controlled corporation[2]	40,100,000 (L)	20.05%
Ms. Wong Mei Wai Alice	Interest of spouse[3]	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. Moonlight is a corporation wholly owned by Mr. Siu Chi Wai.

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 2022, the Group employed 1,381 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 2022, 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.

The Group joined 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.

Under the Mandatory Provident Fund Scheme, the Group and its employees in Hong Kong make monthly contributions at 5% of the employee's earnings capped at HK$1,500 per month to the scheme. Contributions to the scheme vests immediately. No forfeited contributions are available to reduce the contributions payable in future years.

The Group's employees in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government which requires contribution of a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits.

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 70.3% and 96.6% 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 51.5% and 64.8% 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 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. On 24 November 2020, SAL entered into a termination agreement with Win 20 pursuant to which the Group and Win 20 agreed to terminate the agreement for the leasing of 20th Floor, Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong and two car parking spaces. On 29 January 2021 and 13 January 2022, SAL renewed tenancy agreements (the "TAs") with Win 18 and Win 19, the landlords, for the leasing of the premises at 18th to 19th Floors respectively and four car parking spaces.

Win 18 and Win 19 are both companies incorporated in Hong Kong which are wholly owned by Winfield Group Limited ("Winfield"). Winfield is wholly owned by Ms. Wong Mei Wai Alice who is an executive Director and the chief executive officer of our Company. As such, each of Win 18 and Win 19 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) New 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 ("Win 18 Premises")
Term:	From 1 February 2022 to 31 January 2023
Monthly rent:	HK$125,000 (excluding rates, government rents and management fees)
Use of the premises rented:	As ancillary office of the Company and certain of its subsidiaries

(2) New 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 ("Win 19 Premises")
Term:	From 1 February 2022 to 31 January 2023
Monthly rent:	HK$125,000 (excluding rates, government rents and management fees)
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 and Win 19 with reference to the fair market rentals.

Based on the monthly rentals payable under the New Tenancy Agreements, the revised annual caps for the aggregate rentals of the Win 18 Premises and Win 19 Premises payable are shown as follows:

	10 months ended 31 January 2022 HK$'000	**2 months ended 31 March 2022** HK$'000	**10 months ending 31 January 2023** HK$'000
Rental for leasing of 18th floor	1,250	250	1,250
Rental for leasing of 19th floor	1,250	250	1,250
Aggregate Annual Caps	2,500	500	2,500

For the 10 months ended 31 January 2022 and 2 months ended 31 March 2022, the rent paid under the original and new 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 announcement dated on 13 January 2022.

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 37 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 37 to the consolidated financial statements.

The tenancy agreements under Note 37 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 37 did not fall under the definition of "connected transaction" in Chapter 14A of the Listing Rules and the disclosure requirements thereunder were not applicable.

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 2022, 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 16 to 30.

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 2022.

EVENT AFTER THE REPORTING PERIOD

Details of the event after the reporting period are set out in Note 40 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
Wong Mei Wai Alice
Chairperson

Hong Kong, 30 June 2022

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 50 to 133, which comprise the consolidated statement of financial position as at 31 March 2022, 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 2022, 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 the Group incurred a loss of approximately HK$38,847,000 for the year ended 31 March 2022 and had net current liabilities of approximately HK$64,949,000 as of that date. As at 31 March 2022, the Group's liabilities included bank borrowings with an outstanding principal amounting to approximately HK$161,863,000 which is repayable on demand or within one year while the cash and cash equivalents that the Group had as of that date was of approximately HK$33,391,000. 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. In addition to the matter described in the "Material Uncertainty Related to Going Concern" section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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

Refer to Note 18. Property, Plant and Equipment, Note 21. Leases and Note 23. Goodwill to the consolidated financial statements.

The Group has reported significant property, plant and equipment, right-of-use assets and goodwill with net book value of HK$43,836,000, HK$30,414,000 and HK$16,824,000, respectively, as at 31 March 2022.

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

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

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

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 with the support from our external valuation specialist on the 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 if any amount of loss was recognised for the year ended 31 March 2022; and

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

KEY AUDIT MATTERS *(Continued)*

Recoverability of receivables

Refer to Note 5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty and Note 25. Trade and Other Receivables to the consolidated financial statements.

As at 31 March 2022, the Group had trade receivables measured at amortised cost of approximately HK$103,278,000 (before provision) and other receivables of approximately HK$20,891,000 (before provision), with provision for impairment of approximately HK$43,467,000 and approximately HK$17,649,000, respectively (together, the "receivables"). Impairments were provided for these 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, 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 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;
- Assessed the reasonableness with the support from our external valuation specialist on the methodology and key assumptions adopted by management in assessing ECLs; and
- We further evaluated management's assessment on impairment provisions on receivables with material balance by:
  - interviewing and collaborating with the Group's management 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; and
  - assessing the financial position of the debtors, where information is available.

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, actions taken to eliminate threats or safeguards applied.

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

Lam Pik Wah
Practising Certificate no. P05325

Hong Kong, 30 June 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	7	455,970	371,276
Cost of sales		(394,901)	(327,427)
Gross profit		61,069	43,849
Other revenue	8	7,661	11,513
Other gains and losses, net	9	3,698	(1,954)
Selling and distribution costs		(24,863)	(23,922)
General and administrative expenses		(50,814)	(51,419)
Expected credit loss recognised on trade and other receivables, net		(37,673)	(7,314)
Finance costs	10	(4,537)	(6,033)
Loss before income tax	11	(45,459)	(35,280)
Income tax credit	14	6,612	2,027
Loss for the year		(38,847)	(33,253)
Other comprehensive income/(expense), net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(5,680)	68
Remeasurement gain/(loss) on defined benefit plan for the year		956	(504)
Other comprehensive expense for the year		(4,724)	(436)
Total comprehensive expense for the year		(43,571)	(33,689)
Total comprehensive expense for the year attributable to owners of the Company		(43,571)	(33,689)
		HK cents	HK cents (Restated)
LOSS PER SHARE			
– Basic and diluted	15	(19.42)	(16.63)

Consolidated Statement of Financial Position

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Prepaid insurance premium	17	8,513	8,246
Property, plant and equipment	18	43,836	49,700
Intangible assets	19	6,748	7,606
Right-of-use assets	21	30,414	31,321
Deferred tax assets	22	11,781	4,133
Goodwill	23	16,824	18,122
Other receivables	25	2,706	11,596
Total non-current assets		120,822	130,724
Current assets			
Inventories	24	40,024	35,849
Trade and other receivables	25	129,819	149,389
Convertible promissory note	20	–	3,292
Amounts due from related parties	28	1	108
Tax recoverable		181	1,363
Cash and cash equivalents	26	33,391	63,853
Total current assets		203,416	253,854
Total assets		324,238	384,578
Current liabilities			
Trade, bills and other payables	27	99,736	76,637
Amounts due to related parties	28	3,301	742
Bank overdrafts	29	–	53
Bank borrowings	30	161,863	237,022
Lease liabilities	21	3,465	6,229
Total current liabilities		268,365	320,683
Net current liabilities		(64,949)	(66,829)
Non-current liabilities			
Loans from a shareholder	31	18,987	–
Defined benefit obligation	32	2,072	2,907
Lease liabilities	21	5,610	3,317
Deferred tax liabilities	22	2,359	668
Total non-current liabilities		29,028	6,892
NET ASSETS		26,845	57,003

Consolidated Statement of Financial Position

As at 31 March 2022

	Notes	**2022 HK$'000**	2021 HK$'000
Share capital	33	**8,000**	8,000
Share premium	34	**66,541**	66,541
Reserves	34	**(47,696)**	(17,538)
TOTAL EQUITY		**26,845**	57,003

The consolidated financial statements on pages 50 to 133 were approved and authorised for issue by the Board of Directors on 30 June 2022 and are signed on its behalf by:

Wong Mei Wai Alice
Chairperson

Chung Sam Kwok Wai
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	Share capital HK$'000 *(Note 33)*	Share premium HK$'000 *(Note 34)*	Capital reserve HK$'000 *(Note 34)*	Contributed reserve HK$'000 *(Note 34)*	Translation reserve HK$'000 *(Note 34)*	Remeasurement reserve HK$'000 *(Note 34)*	Accumulated losses HK$'000 *(Note 34)*	Total equity HK$'000
Balance at 1 April 2020	8,000	66,541	–	4,078	925	118	(22,970)	56,692
Loss for the year	–	–	–	–	–	–	(33,253)	(33,253)
Exchange difference arising on translation of foreign operations	–	–	–	–	68	–	–	68
Remeasurement loss on defined benefit plan for the year	–	–	–	–	–	(504)	–	(504)
Total comprehensive expense for the year	–	–	–	–	68	(504)	(33,253)	(33,689)
Deemed capital contribution arising from shareholders' loan	–	–	34,000	–	–	–	–	34,000
Balance as at 31 March 2021 and 1 April 2021	8,000	66,541	34,000	4,078	993	(386)	(56,223)	57,003
Loss for the year	–	–	–	–	–	–	(38,847)	(38,847)
Exchange difference arising on translation of foreign operations	–	–	–	–	(5,680)	–	–	(5,680)
Remeasurement gain on defined benefit plan for the year	–	–	–	–	–	956	–	956
Total comprehensive expense for the year	–	–	–	–	(5,680)	956	(38,847)	(43,571)
Deemed capital contribution arising from shareholders' loan	–	–	13,413	–	–	–	–	13,413
Balance as at 31 March 2022	8,000	66,541	47,413	4,078	(4,687)	570	(95,070)	26,845

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	2022 HK$'000	2021 HK$'000
Cash flows from operating activities		
Loss before income tax	(45,459)	(35,280)
Adjustments for:		
Depreciation of property, plant and equipment	5,155	5,495
Depreciation of right-of-use assets	7,750	9,172
Gain on early termination of a lease	–	(27)
COVID-19-related rent concession	–	(1,000)
Provision for defined benefits plan	500	342
Fair value changes on prepaid insurance premium	(267)	(278)
Fair value changes on convertible promissory note	(1,942)	(78)
Gain on disposal of convertible promissory note	(226)	–
Interest income	(268)	(480)
Imputed interest income from trade and other receivables	(1,983)	(1,829)
Expected credit loss recognised on trade and other receivables, net	37,673	7,314
Loss on disposal of property, plant and equipment	366	10
Impairment of intangible assets	858	857
Finance costs	4,537	6,033
Operating profit/(loss) before working capital changes	6,694	(9,749)
Increase in inventories	(4,175)	(1,159)
Increase in trade and other receivables	(7,576)	(7,930)
Increase in trade, bills and other payables	23,099	10,790
Decreased in amounts due to related parties	–	(371)
Decrease of defined benefit obligation	(401)	(321)
Cash generated from/(used in) operations	17,641	(8,740)
Income tax refunded/(paid)	1,845	(9)
Net cash generated from/(used in) operating activities	19,486	(8,749)

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from investing activities			
Interest income		268	480
Cash refunded by/(advances to) related parties		107	(108)
Purchases of property, plant and equipment		(2,471)	(1,603)
Proceeds from disposal of property, plant and equipment		732	3
Repayment on convertible promissory note		1,560	–
Proceeds from disposal of convertible promissory note		3,900	–
Net cash generated from/(used in) investing activities		4,096	(1,228)
Cash flows from financing activities	39		
Cash advances from a related party		2,559	–
Proceeds from shareholder' loans		32,400	34,000
Proceeds from bank borrowings		693,564	494,799
Repayment of bank borrowings		(768,723)	(489,216)
Repayment of principal portion of lease liabilities		(7,421)	(7,919)
Repayment of interest portion of lease liabilities		(533)	(698)
Interest paid		(3,658)	(5,143)
Net cash (used in)/generated from financing activities		(51,812)	25,823
Net (decrease)/increase in cash and cash equivalents		(28,230)	15,846
Cash and cash equivalents at the beginning of year		63,800	47,836
Effect of foreign exchange rate change in cash and cash equivalents		(2,179)	118
Cash and cash equivalents at the end of year		33,391	63,800
Analysis of the balances of cash and cash equivalents:			
Bank balances and cash	26	33,391	63,853
Bank overdrafts	29	–	(53)
		33,391	63,800

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

1. GENERAL

Sterling Group Holdings Limited ("the Company") was incorporated in the Cayman Islands 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").

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

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").

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

(a) Adoption of new/revised HKFRSs

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
2021 Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

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

(b) New or amended HKFRSs that have been issued but are not yet effective

The following amendments to HKFRSs, potentially relevant to the Group's 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 HKAS 1	Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Annual Improvements to HKFRSs 2018–2020	Amendment to HKFRS 1[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 9, Financial Instruments[1]
Annual Improvements to HKFRSs 2018–2020	Amendment to Illustrative Examples accompanying HKFRS 16, Leases[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

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

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Hong Kong Interpretation 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to Hong Kong Interpretation 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and does not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments to HKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

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

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

Amendments to HKAS 8 – Definition of Accounting Estimates

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify whether the initial recognition exemption applies to certain transactions that often result in both an asset and a liability being recognised simultaneously. Such instances might include the initial recognition of leases from the perspective of a lessee or asset retirement obligations (AROs)/decommissioning liabilities.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Amendments to HKAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, are recognised in profit or loss.

The directors of the Company are currently assessing the impact of application of the amendments and anticipate it will not have material impact on the consolidated financial statements as it is seldom for the Group to sell its property, plant and equipment before they are capable of intended use.

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

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

Amendments to HKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The directors of the Company are currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements. The directors of the Company anticipate that the application of the amendments will likely have an impact on the Group's accounting policies in respect of the determination of when contracts are onerous, and the measurement of provision for onerous contracts recognised.

Amendments to HKFRS 3 – Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC) Interpretation 21, Levies, the acquirer applies HK(IFRIC) Interpretation 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

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

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the consolidated financial statements in future periods should such transaction arise.

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

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

Annual Improvements to HKFRSs 2018–2020, Amendment to HKFRS 1

The annual improvements permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2018–2020, Amendment to HKFRS 9, Financial Instruments

The annual improvements amend a number of standards, including HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

Annual Improvements to HKFRSs 2018–2020, Amendment to Illustrative Examples accompanying HKFRS 16, Leases

The annual improvements amend a number of standards, including HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the consolidated financial statements.

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 and non-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$38,847,000 for the year ended 31 March 2022 and had net current liabilities of approximately HK$64,949,000 as of that date. As at 31 March 2022, the Group's liabilities included bank borrowings with an outstanding principal amounting to approximately HK$161,863,000 which is repayable on demand or within one year while the cash and cash equivalents that the Group had as of that date was of approximately HK$33,391,000.

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 performance and liquidity of the Group in light of the above events or conditions and are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due so as to enable the Group to continue as a going concern for at least the next twelve months from the date of authorisation for issue of these consolidated financial statements based on the cash flow projections of the Group covering a period up to 30 June 2023 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 and measures on credit control in order to enhance its ability to improve profitability and the cash flow from its operation in future;

(ii) 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; and

(iii) Up to the date of approval for issue of these consolidated financial statements, the Group had unutilised banking facilities related to term and revolving loans and trust receipt loans of approximately HK$4,404,000 and HK$95,026,000, respectively. The directors of the Company are of the opinion that it is likely that all the banking facilities can be maintained during the forecast period.

Notwithstanding that there is inherent uncertainty associated with the future outcomes of the Group's plans and measures as described above, including whether the Group is able to improve the financial performance and maintain its banking facilities, 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 has 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 profit or loss and other 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 in line with those used by other members of the Group.

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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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.

(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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Goodwill *(Continued)*

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 first allocated to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit on pro-rata basis on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

(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:

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Property, plant and equipment *(Continued)*

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.

(f) Leasing

The Group as a lessee

All 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 of 12 months or less and do not contain purchase option. The lease payments associated with those leases have been expensed on a 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-of-use assets at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. Right-of-use assets that meet the definition of leasehold land and buildings held for own use are carried at cost model.

The Group accounts for leasehold land and buildings which are held for own use under HKAS 16 and are carried at cost model. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of assets apart from the leasehold land and buildings which are held for own use. As a result, the right-of-use assets arising from the properties under tenancy agreements are carried at depreciated cost.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing *(Continued)*

The Group as a lessee *(Continued)*

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 lessee's incremental borrowing rate.

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 the commencement date;

(iii) amounts expected to be payable by the lessee under the 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 modification, or to reflect revised in-substance fixed lease payments.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Leasing *(Continued)*

The Group as a lessee *(Continued)*

Lease liability (Continued)

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases, an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, if the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease, in all other cases, where the renegotiated increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount. With the exception to which the practical expedient for COVID-19-Related Rent Concessions applies, if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date and the right-of-use asset is adjusted by the same amount.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) 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.

(h) 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 method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss 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, 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)*

(h) 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 measures loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. For trade receivables that are not assessed for ECLs individually, 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 30 days past due, unless the Group has reasonable and supportable information that demonstrate otherwise.

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 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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)*

(h) 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, bank overdrafts 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)*

(i) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Revenue recognition *(Continued)*

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 90 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 are recognised over time as the benefits received and consumed simultaneously by the customer (being the commencement of each annual license period). The Group recognises additional revenue for the sales-based royalty when those subsequent sales occur.

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 the right to receive such compensation is established.

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

(j) 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.

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(h) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Government grant

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable and are recognised as other revenue, rather than reducing the related expense.

(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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint venture, 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 translation reserve (attributed to non-controlling 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 translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation 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 translation 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 amounts 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:

- property, plant and equipment;
- intangible assets; 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 will 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. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

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, intangible assets and right-of-use 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 prepaid insurance premium (Note 17). Trade receivable at FVTPL (Note 25) and convertible promissory note (Note 20) at fair value.

For more detailed information in relation to the fair value measurement of the item above, please refer to the Note 38 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 two reportable segments.

– Manufacturing and trading of apparel products.

– 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 2022 and 2021 is set out below:

	Manufacturing and trading of apparel products		Licensing of trademark		Total	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Revenue from external customers	455,315	371,112	655	164	455,970	371,276
Inter-segment revenue	–	–	–	–	–	–
Reportable segment revenue	455,315	371,112	655	164	455,970	371,276
Reportable segment profit/(loss)	6,424	(8,974)	(329)	178	6,095	(8,796)
Interest income from banks and convertible promissory note	31	132	237	348	268	480
Imputed interest income from trade and other receivables	1,983	1,829	–	–	1,983	1,829
Interest expense	(4,537)	(6,033)	–	–	(4,537)	(6,033)
Depreciation of property, plant and equipment for the year	(5,155)	(5,495)	–	–	(5,155)	(5,495)
Depreciation of right-of-use assets for the year	(7,750)	(9,172)	–	–	(7,750)	(9,172)
Expected credit loss (recognised)/ reversed on trade and other receivables	(37,673)	(7,350)	–	36	(37,673)	(7,314)
Impairment loss on intangible assets	–	–	(858)	(857)	(858)	(857)
Fair value changes on convertible promissory note	–	–	1,942	78	1,942	78
Gain on disposal of convertible promissory note	–	–	226	–	226	–
Reportable segment assets	272,137	308,137	6,748	7,092	278,885	315,229
Additions to non-current assets during the year	2,471	1,603	–	–	2,471	1,603
Reportable segment liabilities	294,307	326,312	727	595	295,034	326,907

6. SEGMENT INFORMATION *(Continued)*

Reconciliation of reportable segment revenue, profit, assets and liabilities

	2022 HK$'000	2021 HK$'000
Revenue		
Reportable segment revenue	455,970	371,276
Consolidated revenue	455,970	371, 276
Profit or Loss		
Reportable segment profit/(loss)	6,095	(8,796)
Interest income from banks and convertible promissory note	268	480
Imputed interest income from trade and other receivables	1,983	1,829
Depreciation of property, plant and equipment	(5,155)	(5,495)
Depreciation of right-of-use assets	(7,750)	(9,172)
Expected credit loss recognised on trade and other receivables, net	(37,673)	(7,314)
Impairment loss on intangible assets	(858)	(857)
Fair value changes on convertible promissory note	1,942	78
Gain on disposal of convertible promissory note	226	–
Finance costs	(4,537)	(6,033)
Consolidated loss before income tax	(45,459)	(35,280)
Assets		
Reportable segment assets	278,885	315,229
Deferred tax assets	11,781	4,133
Tax recoverable	181	1,363
Cash and cash equivalents	33,391	63,853
Consolidated total assets	324,238	384,578
Liabilities		
Reportable segment liabilities	295,034	326,907
Deferred tax liabilities	2,359	668
Consolidated total liabilities	297,393	327,575

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

	2022 HK$'000	2021 HK$'000
Hong Kong (place of domicile)	71	–
USA	436,514	349,453
Italy	17,708	18,899
UK	569	1,850
Others *(Note)*	1,108	1,074
	455,970	371,276

Note: Others mainly includes Netherlands and Canada.

(ii) The Group's prepaid insurance premium, property, plant and equipment, intangible assets, right-of-use 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.

	As at 31 March 2022			
	Hong Kong HK$'000	PRC HK$'000	Sri Lanka HK$'000	Total HK$'000
Prepaid insurance premium	8,513	–	–	8,513
Property, plant and equipment	9,790	2,841	31,205	43,836
Intangible assets	6,748	–	–	6,748
Right-of-use assets	7,985	4,357	18,072	30,414
Goodwill	3,633	12,014	1,177	16,824
	36,669	19,212	50,454	106,335

6. SEGMENT INFORMATION *(Continued)*

Geographic information *(Continued)*

(ii) *(Continued)*

	As at 31 March 2021			
	Hong Kong HK$'000	PRC HK$'000	Sri Lanka HK$'000	Total HK$'000
Prepaid insurance premium	8,246	–	–	8,246
Property, plant and equipment	10,828	2,353	36,519	49,700
Intangible assets	7,606	–	–	7,606
Right-of-use assets	8,207	4,641	18,473	31,321
Goodwill	3,633	10,944	3,545	18,122
	38,520	17,938	58,537	114,995

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 2022 and 2021 is as follows:

	2022 HK$'000	2021 HK$'000
Customer A	321,156	277,352
Customer B	N/A	37,539

7. REVENUE

Disaggregation of revenue

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

	2022 HK$'000	2021 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of garments	455,315	371,112
Licensing and related income	655	164
	455,970	371,276
Major products and services		
Outerwear	165,506	151,776
Bottoms	175,695	140,194
Tops	50,699	36,553
Others *(Note)*	64,070	42,753
	455,970	371,276
Timing of revenue recognition:		
At a point in time	455,315	371,112
Transferred over time	655	164
	455,970	371,276

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(i).

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

	2022 HK$'000	2021 HK$'000
Trade receivables *(Note 25)*	124,311	142,603

8. OTHER REVENUE

	2022 HK$'000	2021 HK$'000
Bank interest income	31	132
Sample sales income	3,315	1,873
Claims income	1,189	1,131
Government grants *(Note (i))*	642	5,041
Interest income from convertible promissory note	237	348
Imputed interest income from trade and other receivables	1,983	1,829
COVID-19-related rent concession	–	1,000
Others	264	159
	7,661	11,513

Note:

(i) For the year ended 31 March 2021, the Group applied for government support programs introduced in response to the COVID-19 pandemic. Included in profit or loss was HK$4,267,000 of government grants obtained relating to supporting the payroll of the Group's employees from the Hong Kong Government. The Group elected to present this government grant separately, rather than reducing the related expense. The Group had to commit to spending the assistance on payroll expenses, and not to reduce employee head count below prescribed levels for a specified period of time. The Group did not have any unfulfilled obligations relating to this program. No such government support programs were available for the year ended 31 March 2022.

For the year ended 31 March 2022, the Group received grants from the PRC local government authority amounted to RMB475,000 (approximately HK$576,000) (2021: HK$708,000) as subsidies for Group's employee training. There were no restrictions with the use of such government grants.

9. OTHER GAINS AND LOSSES, NET

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

	2022 HK$'000	2021 HK$'000
Impairment of intangible assets	(858)	(857)
Loss on disposal of property, plant and equipment	(366)	(10)
Fair value changes on prepaid insurance premium	267	278
Fair value changes on convertible promissory note	1,942	78
Gain on disposal of convertible promissory note	226	–
Gain on early termination of a lease	–	27
Exchange gain/(loss), net	2,321	(2,471)
Others	166	1,001
	3,698	(1,954)

10. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on bank borrowings		
– trust receipt loans	2,489	2,800
– term and revolving loans	1,169	2,137
Interest on bank overdrafts	–	1
Interest expenses on lease liabilities	533	698
Interest expenses on loans from a shareholder	–	205
Imputed interest expenses on other receivables	10	192
Finance charges on factoring arrangement	336	–
	4,537	6,033

11. LOSS BEFORE INCOME TAX

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

	2022 HK$'000	2021 HK$'000
Auditor's remuneration	1,280	1,130
Depreciation charges *(Note (i))*:		
– property, plant and equipment	5,155	5,495
– right-of-use assets	7,750	9,172
Fair value changes on prepaid insurance premium	(267)	(278)
Fair value changes on convertible promissory note	(1,942)	(78)
Impairment of intangible assets	858	857
Gain on disposal of convertible promissory note	(226)	–
Expected credit loss recognised on trade and other receivables, net	37,673	7,314
Cost of inventories recognised as expense *(Note (ii))*	394,901	327,427
Short-term leases expenses	168	298
Employee costs *(Note (iii))*	98,829	105,316

Notes:

(i) Depreciation charges of HK$7,569,000 (2021: HK$8,306,000) are included in direct operating costs and HK$5,336,000 (2021: HK$6,361,000) are included in general and administrative expenses.

(ii) Cost of inventories recognised as expense includes depreciation charges and employee costs of HK$$61,522,000 (2021: HK$68,310,000), which are also included in the respective total amounts disclosed above for each type of expenses.

(iii) Employee costs of HK$53,953,000 (2021: HK$60,004,000) are included in direct operating costs; HK$14,297,000 (2021: HK$14,288,000) are included in selling and distribution costs; and HK$30,579,000 (2021: HK$31,024,000) are included in general and administrative expenses.

12. EMPLOYEE COSTS

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

	2022 HK$'000	2021 HK$'000
Wages and salaries	84,292	91,100
Short-term non-monetary benefits	6,051	7,002
Contributions to defined contribution retirement plans	7,986	6,871
Contributions to defined benefit retirement plans	500	343
	98,829	105,316

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:

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2022:					
Executive directors:					
Ms. Wong Mei Wai Alice		211	2,800	9	3,020
Mr. Siu Yik Ming		211	1,190	18	1,419
Mr. Chung Sam Kwok Wai		211	2,050	–	2,261
Non-executive director:					
Mr. Choi Siu Wai William	(i)	211	–	–	211
Independent non-executive directors:					
Mr. Chan Kee Huen Michael		211	–	–	211
Mr. Cheng King Hoi Andrew	(ii)	108	–	–	108
Mr. Tsang Ho Yin Gordon	(iv)	140	–	–	140
Mr. Ko Ming Tung Edward	(iii)	109	–	–	109
Ms. Zhang Lingling	(v)	41	–	–	41
		1,453	6,040	27	7,250

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

(i) Directors' emoluments *(Continued)*

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2021:					
Executive directors:					
Ms. Wong Mei Wai Alice		194	2,360	18	2,572
Mr. Siu Yik Ming		194	1,110	18	1,322
Mr. Chung Sam Kwok Wai		194	1,920	–	2,114
Non-executive director:					
Mr. Choi Siu Wai William	(i)	194	–	–	194
Independent non-executive directors:					
Mr. Chan Kee Huen Michael		194	–	–	194
Mr. Cheng King Hoi Andrew	(ii)	194	–	–	194
Mr. Ko Ming Tung Edward	(iii)	194	–	–	194
		1,358	5,390	36	6,784

Notes:

(i) Mr. Choi Siu Wai William resigned as non-executive director on 23 March 2022.

(ii) Mr. Cheng King Hoi Andrew resigned as independent non-executive director on 28 September 2021.

(iii) Mr. Ko Ming Tung Edward resigned as independent non-executive director on 1 December 2021.

(iv) Mr. Tsang Ho Yin Gordon was appointed as independent non-executive director on 28 September 2021.

(v) Ms. Zhang Lingling was appointed as independent non-executive director on 1 December 2021.

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 (2021: three) directors for the year ended 31 March 2022, whose emoluments are reflected in the analysis as shown. The emoluments payable to the remaining two (2021: two) individuals for the year ended 31 March 2022 are as follows:

	2022 HK$'000	2021 HK$'000
Wages, salaries, bonuses and benefits in kind	1,769	2,147
Contribution to retirement benefits schemes	36	18
	1,805	2,165

The emoluments fell within the following bands:

	Number of Individuals	
	2022	2021
Emolument bands		
Nil–HK$1,000,000	1	–
HK$1,000,001–HK$1,500,000	2	3
HK$1,500,001–HK$2,000,000	–	–
HK$2,000,001–HK$2,500,000	1	1
HK$2,500,001–HK$3,000,000	–	1
HK$3,000,001–HK$3,500,000	1	–

During the years ended 2022 and 2021, 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

The amount of income tax credit in the consolidated statement of profit or loss and other comprehensive income represents:

	2022 HK$'000	2021 HK$'000
Hong Kong profits tax		
– Current taxation	–	–
– Over provision in prior years	(767)	–
	(767)	–
Overseas profits tax		
– Current taxation	–	–
– Over provision in prior years	–	(273)
	–	(273)
Deferred tax *(Note 22)*		
– Current year	(5,845)	(1,754)
Income tax credit	(6,612)	(2,027)

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.

Hong Kong profits tax for the Hong Kong subsidiaries has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits for the year.

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% (2021: 25%) on the assessable profits for the year.

The provision for Sri Lanka Corporate Income Tax is based on the statutory rate of 14% (2021: 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 *(Continued)*

The income tax credit 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:

	2022 HK$'000	2021 HK$'000
Loss before income tax	(45,459)	(35,280)
Tax calculated at the profit tax rate of 16.5% applicable to profits	(7,500)	(5,821)
Effect of different tax rates of subsidiaries operating in other countries	(495)	(489)
Tax effect of expenses not deductible for tax purposes	2,470	3,947
Tax effect of revenue not taxable for tax purposes	(641)	(1,016)
Over-provision in respect of prior years	(767)	(273)
Tax effect of temporary difference not recognised	500	(28)
Tax effect of tax losses not recognised	1,641	2,540
Utilisation of tax losses previously not recognised	(1,820)	(887)
Income tax credit	(6,612)	(2,027)

15. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2022 HK$'000	2021 HK$'000
Loss		
Loss attributable to owners of the Company for the purposes of calculations of basic loss per share	(38,847)	(33,253)

	2022 '000	2021 '000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of calculations of basic loss per share	200,000	200,000

The computation of basic loss per share for the year ended 31 March 2022 is based on the loss attributable to ordinary equity shareholders of the Company of HK$38,847,000 (2021: HK$33,253,000) and the weighted average of 200,000,000 ordinary shares (2021: restated as 200,000,000 ordinary shares) during the year. The weighted average number of ordinary shares for the purpose of basic losses per share has been adjusted for the consolidation of every four issued ordinary shares of the Company with nominal value of HK$0.01 each into one consolidated ordinary share of the Company with nominal value of HK$0.04 each on 6 July 2021, as if it was effective since 1 April 2020.

Diluted loss per share was the same as basic loss per share as the Company did not have any dilutive potential ordinary shares in issue for both 2022 and 2021.

16. DIVIDEND

The Board of directors do not recommend the payment of final dividend for the years ended 31 March 2022 and 2021.

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 at a rate of 4% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest at a 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 elements of deposit placed and prepayment for life insurance. 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 prepaid insurance premium is pledged to secure general banking facilities granted to the Group (Note 30).

The prepaid insurance premium is denominated in US$, a currency other than the functional currency of the subsidiary.

The fair value gain of HK$267,000 (2021: fair value gain of HK$278,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2022.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvement	Plant and machinery	Furniture and fixtures	Office equipment	Computer equipment	Motor vehicles	Construction in progress ("CIP")	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost									
As at 1 April 2020	33,231	19,960	50,505	3,786	3,570	4,493	1,332	776	117,653
Additions	108	577	180	108	234	98	–	298	1,603
Transfer	186	–	732	–	–	–	–	(918)	–
Reclassification	–	–	–	–	(713)	713	–	–	–
Disposals/Written off	–	–	(38)	–	–	(90)	–	–	(128)
Exchange realignment	122	–	268	17	3	109	40	–	559
As at 31 March 2021	33,647	20,537	51,647	3,911	3,094	5,323	1,372	156	119,687
Additions	50	1,477	503	128	201	112	–	–	2,471
Disposals/written-off	–	(243)	(9,045)	(56)	(97)	(828)	–	–	(10,269)
Exchange realignment	(1,860)	–	(1,560)	(275)	10	131	(148)	–	(3,702)
As at 31 March 2022	31,837	21,771	41,545	3,708	3,208	4,738	1,224	156	108,187
Accumulated depreciation									
As at 1 April 2020	4,702	15,532	35,476	2,897	1,517	3,043	1,110	–	64,277
Depreciation	1,078	1,374	2,014	142	176	641	70	–	5,495
Reclassification	–	–	–	–	(205)	205	–	–	–
Eliminated on disposals/ written-off	–	–	(40)	–	–	(75)	–	–	(115)
Exchange realignment	18	–	198	11	2	73	28	–	330
As at 31 March 2021	5,798	16,906	37,648	3,050	1,490	3,887	1,208	–	69,987
Depreciation	1,080	1,123	2,035	145	210	492	70	–	5,155
Eliminated on disposals/ written-off	–	(224)	(8,103)	(37)	(80)	(727)	–	–	(9,171)
Exchange realignment	(337)	2	(996)	(191)	4	69	(171)	–	(1,620)
As at 31 March 2022	6,541	17,807	30,584	2,967	1,624	3,721	1,107	–	64,351
Net book value									
As at 31 March 2022	**25,296**	**3,964**	**10,961**	**741**	**1,584**	**1,017**	**117**	**156**	**43,836**
As at 31 March 2021	27,849	3,631	13,999	861	1,604	1,436	164	156	49,700

19. INTANGIBLE ASSETS

	2022 HK$'000	2021 HK$'000
Trademark		
Cost	10,850	10,850
Less: Impairment	(4,102)	(3,244)
	6,748	7,606

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

Impairment tests for trademark with indefinite useful life

The recoverable amount of the trademark with indefinite useful was determined based on a value-in-use calculation by reference to the valuation information prepared by the management for both years. 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 19.5% (2021: 20.4%). 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 2022, an impairment loss of approximately HK$858,000 (2021: HK$857,000) was recognised in respect of the trademark.

20. CONVERTIBLE PROMISSORY NOTE

	2022 HK$'000	2021 HK$'000
At the beginning of the year	3,292	3,214
Repayment	(1,560)	–
Disposal	(3,674)	–
Changes in fair value	1,942	78
At the end of the year	–	3,292

The Group made investment in a convertible promissory note of a non-related private company with interest bearing at 6% per annum, and this investment held by the Group contain embedded derivatives with expiry date of 30 June 2021. After assessment on the Group's business model for managing financial assets and contractual cash flow test where those cash flows do not represent solely payments of principal and interest ("SPPI"), the Group recognised these investments as financial assets at fair value through profit or loss.

On 10 June 2021, the Group entered into the amendment and restatement of convertible promissory note agreement with the note issuer, the terms of embedded derivatives had changed and the maturity date of the convertible promissory note was extended to 30 June 2022, other terms of the note remain unchanged.

20. CONVERTIBLE PROMISSORY NOTE *(Continued)*

On 28 March 2022, the Group entered into the agreement with an independent third party, pursuant to which the Group agreed to sell and the independent third party agreed to acquire the convertible promissory note for a cash consideration of US$500,000 (equivalent to HK$3,900,000). Upon Completion (i.e. 28 March 2022), the Group ceased to hold any interests in the convertible promissory note with a gain on disposal of HK$226,000 (note 9).

The relevant fair value is determined with reference to valuation carried out by the management (2021: reference to valuation carried out by an independent valuer, Graval Consulting Limited) using market approach. The major unobservable inputs as at 31 March 2021 and on the Completion was as follows:

	Completion HK$'000	**2021** HK$'000
Discount for lack of marketability ("DLOM")	42.9%	43.10%
Control Premium	30.1%	21.7%

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 in a business enterprise that reflects the power of a control. Thus, the fair value measurement of this instrument was categorised within level 3 of the fair value hierarchy.

21. LEASES

The Group's right-of-use assets represent the use of leasehold land and properties as its production factory and administrative offices through tenancy agreements, which comprise only fixed payments over the lease terms.

Right-of-use assets

	Leasehold land HK$'000	**Properties** HK$'000	**Total** HK$'000
At 1 April 2020	22,829	14,709	37,538
Effect of modification to lease term	–	2,940	2,940
Early termination of a lease	–	(222)	(222)
Depreciation	(580)	(8,592)	(9,172)
Exchange realignment	–	237	237
At 31 March 2021 and 1 April 2021	22,249	9,072	31,321
Additions	–	3,586	3,586
Effect of modification to lease terms	–	2,940	2,940
Depreciation	(580)	(7,170)	(7,750)
Exchange realignment	–	317	317
At 31 March 2022	21,669	8,745	30,414

21. LEASES *(Continued)*

Right-of-use assets *(Continued)*

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

	As at 31 March	
	2022	2021
	HK$'000	HK$'000
Ownership interests in leasehold land held for own use, carried at depreciated cost	**21,669**	22,249
Properties leased for own use, carried at depreciated cost	**8,745**	9,072
	30,414	31,321

Lease liabilities

	Properties
	HK$'000
At 1 April 2020	15,522
Effect of modification to lease terms	2,940
Early termination of a lease	(249)
Interest expense	698
Lease payments	(8,617)
COVID-19-related rent concessions *(Note)*	(1,000)
Exchange realignment	252
At 31 March 2021 and 1 April 2021	**9,546**
Additions	**3,586**
Effect of modification to lease terms	**2,940**
Interest expense	**533**
Lease payments	**(7,954)**
Exchange realignment	**424**
At 31 March 2022	**9,075**

Note: The Group has received rent concessions from lessors due to COVID-19 pandemic in the form of rent relief (e.g. reductions in rent contractually due under the terms of lease agreements). The Group has elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions entered into during the year ended 31 March 2021 satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of HK$1,000,000. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs. There were no such COVID-19-related rent concession during the year ended 31 March 2022.

21. LEASES *(Continued)*

Lease liabilities *(Continued)*

Future lease payments are due as follows:

	Minimum lease payments HK$'000	Interest HK$'000	Present value of minimum lease payments HK$'000
As at 31 March 2022			
Within one year	**3,920**	**455**	**3,465**
Later than one year but within two years	**1,474**	**384**	**1,090**
Later than two years but within five years	**3,148**	**659**	**2,489**
Over five years but within twenty years	**7,270**	**5,239**	**2,031**
	15,812	**6,737**	**9,075**
As at 31 March 2021			
Within one year	6,607	378	6,229
Later than one year but within two years	601	242	359
Later than two years but within five years	1,525	603	922
Over five years but within twenty years	7,451	5,415	2,036
	16,184	6,638	9,546

The present value of future lease payments is analysed as:

	As at 31 March	
	2022 HK$'000	2021 HK$'000
Current liabilities	**3,465**	6,229
Non-current liabilities	**5,610**	3,317
	9,075	9,546

22. 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	Right-of-use assets HK$'000	Lease liabilities HK$'000	Tax Losses HK$'000	Total HK$'000
As at 1 April 2020	580	(2,240)	548	(607)	–	(1,719)
Charged/(credited) to profit or loss	(94)	(1,632)	2,019	(2,047)	–	(1,754)
Exchange realignment	8	–	–	–	–	8
As at 31 March 2021	494	(3,872)	2,567	(2,654)	–	(3,465)
Charged/(credited) to profit or loss	1,818	(6,216)	(442)	409	(1,414)	(5,845)
Exchange realignment	(112)	–	–	–	–	(112)
As at 31 March 2022	2,200	(10,008)	2,125	(2,245)	(1,414)	(9,422)

As at the end of the reporting period, the Group had unused tax losses of approximately HK$72,516,000 (2021: HK$75,823,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK$8,567,000 (2021: Nil) of such losses, which represent tax losses incurred by certain of the Company's subsidiaries as it is considered by the management that future taxable profits will be available against which the tax losses can be utilised. No deferred tax asset has been recognised in respect of the remaining HK$63,949,000 (2021: HK$75,823,000) tax losses due to the unpredictability of future profit streams. All tax losses can be carried forward indefinitely.

Presentation in the consolidated statement of financial position:

	2022 HK$'000	2021 HK$'000
Deferred tax assets	(11,781)	(4,133)
Deferred tax liabilities	2,359	668
	(9,422)	(3,465)

23. GOODWILL

	2022 HK$'000	2021 HK$'000
At the beginning of the year	18,122	18,148
Exchange differences	(1,298)	(26)
At the end of the year	16,824	18,122

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:

	2022 HK$'000	2021 HK$'000
Manufacturing and trading of apparel products	16,824	18,122

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, with each of the scenarios are probability weighted. The multiple scenario financial budgets assumption and probability weighting in its discounted cash flow projection to reflect the level of uncertainty from the impact of COVID-19 as follows:

Scenario	**Assumption**	**Probability Weighting**
Bad	Business remains pessimistic but the retail shops are closed for a while, the sales return to pre-pandemic level in 2024	20%
Normal	Business rebound gradually, the sales return to pre-pandemic level in 2023	70%
Good	Business rebound gradually, the sales return to pre-pandemic level and record growth start from 2023	10%

The above assumptions are 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 compared with last year and expected returning to growth in the following four years.

23. 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 and trading of 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.

	2022	2021
Budgeted gross margin	16%	17%
Average revenue growth rate	6%	6%
Growth rate	3%	3%
Pre-tax discount rate	13.8%	16.2%

24. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials and consumables	29,464	19,922
Work-in-progress	3,334	2,735
Finished goods	7,226	13,192
	40,024	35,849

25. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables at amortised cost	103,278	159,523
Less: Loss allowances on trade receivables	(43,467)	(16,920)
Trade receivables at amortised cost, net (a)	59,811	142,603
Trade receivables at fair value through profit or loss (b)	64,500	–
Trade receivables *(Note 7)*	124,311	142,603
Prepayments	4,128	2,491
Other receivables *(Note)*	20,891	20,764
Utilities and sundry deposits	844	1,650
	25,863	24,905
Less: Loss allowances on other receivables *(Note)*	(17,649)	(6,523)
	8,214	18,382
	132,525	160,985
Non-current	2,706	11,596
Current	129,819	149,389
	132,525	160,985

25. TRADE AND OTHER RECEIVABLES *(Continued)*

Note:

Included in other receivables, is an amount of HK$20,355,000 (equivalent to US$2,610,000) (2021: HK$19,820,000) due from a non-related company which is a customer and the issuer of convertible promissory note of the Group which has good business relationship with the Group as at 31 March 2022.

Loss allowance for ECL of HK$17,649,000 (2021: HK$6,523,000) has been recognised for other receivables under ECL model as at 31 March 2022.

The amount is unsecured, interest free and repayable on demand, except for an amount of HK$2,706,000 (2021: HK$11,596,000), which the directors expect it will not be repaid within twelve months.

(a) The ageing analysis of trade receivables at amortised cost at the end of reporting period, based on the invoice date, is as follows:

	2022 HK$'000	2021 HK$'000
0–30 days	5,983	28,358
31–90 days	16,313	61,489
91–180 days	11,198	5,182
181–365 days	14,077	30,740
Over 365 days	55,707	33,754
	103,278	159,523
Less: Loss allowances on trade receivables	(43,467)	(16,920)
	59,811	142,603

The credit period granted to the above 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 38(b)(ii).

(b) During the year ended 31 March 2022, the Group entered into trade receivables factoring arrangement without recourse and transferred certain trade receivables to a bank as follows:

	2022 HK$'000	2021 HK$'000
Trade receivables at fair value through profit or loss	64,500	–

It represents trade receivables which are subject to a factoring arrangement without recourse with a specific bank. Under this arrangement, the Group will transfer the relevant receivables to the bank in exchange for cash.

The Group considers this is a "hold to sell" model and hence these trade receivables are measured at fair value through profit or loss.

25. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) *(Continued)*

The Group is also exposed to credit risk in relation to these trade receivables. The maximum exposure at the end of reporting period is HK$64,500,000 (2021: Nil).

The ageing analysis of trade receivables at fair value through profit or loss, based on invoice dates, as at the end of the year is as follows:

	2022 HK$'000	2021 HK$'000
0–30 days	33,787	–
31–90 days	30,713	–
	64,500	–

The credit period granted to the above trade debtors is 60 days from the invoice date.

The ageing analysis of trade receivables at fair value through profit or loss of the Group at the end of reporting period, based on the due dates, is as follows:

	2022 HK$'000	2021 HK$'000
Current	64,470	–
Less than 1 month past due	30	–
	64,500	–

26. CASH AND CASH EQUIVALENTS

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

Included in cash and cash equivalents of the Group was HK$3,381,000 (2021: HK$6,188,000) 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.

27. TRADE, BILLS AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	41,606	23,935
Bills payables	42,288	37,941
Other payables and accruals	15,842	14,761
	99,736	76,637

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:

	2022 HK$'000	2021 HK$'000
0–30 days	18,296	18,473
31–90 days	20,915	4,806
91–365 days	1,497	245
Over 365 days	898	411
	41,606	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, bills and other payables are considered to be a reasonable approximation to their fair values.

28. AMOUNTS DUE FROM/(TO) RELATED PARTIES

	2022 HK$'000	Maximum balance outstanding HK$'000	2021 HK$'000	Maximum balance outstanding HK$'000
Amounts due from related parties				
Win 20 Limited ("Win 20")	1	18	18	18
Winfield Group Limited ("Winfield")	–	90	90	90
	1		108	
Amounts due to related parties				
Win 18 Limited ("Win 18")	(1,118)		(371)	
Win 19 Limited ("Win 19")	(846)		(371)	
Winfield Group Limited ("Winfield")	(1,337)		–	
	(3,301)		(742)	

28. AMOUNTS DUE FROM/(TO) RELATED PARTIES *(Continued)*

Notes:

(a)

Name of entities	Relationship with the Group
Win 18 Limited ("Win 18"), Win 19 Limited ("Win 19") and Win 20 Limited ("Win 20")	(i) Common director, Ms. Wong Mei Wai Alice (spouse of a substantial shareholder of the Company).
	(ii) Common controlling shareholders, Moonlight Global Holdings Limited (before 20 July 2021) and Rainbow Galaxy Limited (before 19 July 2021).
	(iii) Common substantial shareholder, Moonlight Global Holdings Limited (from 20 July 2021 to 26 November 2021).
	(iv) Indirectly wholly owned by Ms. Wong Mei Wai Alice (executive director of the Company) from 26 November 2021.
	(v) Ex-common director, Mr. Choi Siu Wai William (resigned as non-executive Director of the Company on 23 March 2022).
Winfield Group Limited ("Winfield")	(i) Common director, Ms. Wong Mei Wai Alice (spouse of a substantial shareholder of the Company).
	(ii) Common controlling shareholders, Moonlight Global Holdings Limited (before 20 July 2021) and Rainbow Galaxy Limited (before 19 July 2021).
	(iii) Common substantial shareholder, Moonlight Global Holdings Limited (from 20 July 2021 to 26 November 2021).
	(iv) Directly wholly owned by Ms. Wong Mei Wai Alice (executive director of the Company) from 26 November 2021.
	(v) Ex-common director, Mr. Choi Siu Wai William (resigned as non-executive Director of the Company on 23 March 2022).

(b) The amounts due are non-trade in nature, interest free and repayable on demand.

29. BANK OVERDRAFTS

	2022 HK$'000	2021 HK$'000
Bank overdrafts	–	53

The interest rate of the above bank overdrafts was 1.9% per annum for 2021. As at 31 March 2021, bank overdrafts were unsecured.

30. BANK BORROWINGS

	2022 HK$'000	2021 HK$'000
Interest bearing		
– trust receipt loans, secured *(Notes (a), (b) and (c))*	124,973	132,071
– term and revolving loans, secured *(Notes (a), (b) and (c))*	36,890	104,951
	161,863	237,022

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 2022 and 2021. The carrying amount of the assets of the Group pledged is as follows:

	2022 HK$'000	2021 HK$'000
Prepaid insurance premium *(Note 17)*	8,513	8,246

30. BANK BORROWINGS *(Continued)*

Notes: (Continued)

(c) The bank borrowings included bank loans of HK$480,000 (2021: HK$5,130,000) that are not scheduled to repay within one year. They are classified as current liabilities 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:

	2022 HK$'000	2021 HK$'000
On demand or within one year	161,383	231,892
More than one year, but not exceeding two years	480	4,596
More than two years, but not exceeding five years	–	534
	161,863	237,022

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 38(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:

	2022	2021
Effective interest rates:		
Bank loans	0.51%–3.26% per annum	0.51%–4.75% per annum

31. LOANS FROM A SHAREHOLDER

As at 31 March 2022, the balance of loans from a shareholder amounted to HK$18,987,000 were advanced from Moonlight Global Holdings Limited, a controlling shareholder of the Company prior to 20 July 2021 and a current substantial shareholder of the Company. The balances are unsecured, interest-free and are due upon the expiry of 3 years from the dates of drawdown. Its carrying amount was calculated using a market interest rate of 3.77% per annum.

32. 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:

	2022 HK$'000	2021 HK$'000
Present value of defined benefit obligation – gratuity	2,072	2,907

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.

32. DEFINED BENEFIT OBLIGATION *(Continued)*

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

	2022 HK$'000	2021 HK$'000
Amounts recognised in profit or loss:		
– Current service cost	242	130

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

	2022 HK$'000	2021 HK$'000
At beginning of the year	2,907	2,355
Service cost	242	130
Interest cost	258	212
Actuarial (gain)/loss from remeasurement	(956)	504
Exchange difference	22	27
Benefits paid	(401)	(321)
At end of the year	2,072	2,907

The weighted average duration of the defined benefit obligation is 6.9 years (2021: 5.95 years).

32. DEFINED BENEFIT OBLIGATION *(Continued)*

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

	2022	2021
Discount rate	9%	9%
Future salary increases	12%	6%

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:

	2022 HK$'000	2021 HK$'000
Increase/(decrease) on profit for the year and retained earnings:		
If increase by 1% in:		
Discount rate	134	163
Future salary increases	(135)	(162)
If decrease by 1% in:		
Discount rate	(134)	(163)
Future salary increases	135	162

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.

33. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares HK$'000
Authorised		
At 1 April 2020, 31 March 2021 and 1 April 2021	10,000,000,000	100,000
Share consolidation *(Note)*	(7,500,000,000)	–
At 31 March 2022	2,500,000,000	100,000
Issued and fully paid		
At 1 April 2019, 31 March 2020 and 31 March 2021	800,000,000	8,000
Share consolidation *(Note)*	(600,000,000)	–
At 31 March 2022	200,000,000	8,000

Note: 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"). Further details of the Share Consolidation are set out in the Company's announcements dated 3 June 2021, 2 July 2021 and circular of the Company dated 11 June 2021.

34. 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$'000	Capital reserve HK$'000	Contributed reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2020	66,541	–	55,354	(49,076)	72,819
Total comprehensive expenses for the year, net of tax	–	–	–	(65,091)	(65,091)
Deemed capital contribution arising from shareholders' loan	–	34,000	–	–	34,000
At 31 March 2021 and 1 April 2021	66,541	34,000	55,354	(114,167)	41,728
Total comprehensive expense for the year, net of tax	–	–	–	(50,652)	(50,652)
Deemed capital contribution arising from shareholders' loan	–	13,413	–	–	13,413
At 31 March 2022	66,541	47,413	55,354	(164,819)	4,489

34. RESERVES *(Continued)*

(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.
Capital reserve	Deemed capital contribution arising from shareholders' loan.
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 completed on 18 September 2018.
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.

(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.

35. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Investments in subsidiaries	36	12,122	20,048
Amounts due from subsidiaries		19,478	29,742
Total non-current assets		31,600	49,790
Current assets			
Cash and bank balances		207	208
Current liabilities			
Other payables		(331)	(270)
Net current liabilities		(124)	(62)
Total assets less current liabilities		31,476	49,728
Non-current liabilities			
Amounts due to shareholders		(18,987)	–
NET ASSETS		12,489	49,728
CAPITAL AND RESERVES			
Share capital	33	8,000	8,000
Share premium	34(b)	66,541	66,541
Reserves	34(b)	(62,052)	(24,813)
TOTAL EQUITY		12,489	49,728

On behalf of the directors

Wong Mei Wai Alice
Chairperson

Chung Sam Kwok Wai
Director

36. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 March 2022 HK$'000	2021 HK$'000
Unlisted investment, at cost	61,354	61,354
Less: Impairment	(49,232)	(41,306)
	12,122	20,048

Details of the principal subsidiaries, the business structure of which were corporations are as follows:

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company 2022	2021	Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
Directly					
Excel Tops Limited	British Virgin Islands ("BVI"), 11 May 2017, limited liability company	100%	100%	Registered and fully paid capital US$20,000	Investment holding, BVI
Indirectly					
Sterling Apparel Limited	Hong Kong ("HK"), 19 June 2012, limited liability company	100%	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%	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%	100%	Registered and fully paid capital HK$1	Investment holding, HK
Sterling China Online Holding Company Limited	HK, 21 June 2021, limited liability company	100%	–	Registered and fully paid capital HK$1	Investment holding, HK
美臻網絡明星營銷有限公司 ("Sterling Online Star Marketing Co., Limited")	HK, 28 June 2021, limited liability company	100%	–	Registered and fully paid capital HK$1	Dormant, HK
Zhi Wei (Guangzhou) Garment Co., Limited	The People's Republic of China (the "PRC"), 5 February 2007, limited liability company	100%	100%	Registered and fully paid capital HK$8,000,000	Manufacturing and trading of apparel products, the PRC

36. INVESTMENTS IN SUBSIDIARIES *(Continued)*

The Company *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company 2022	2021	Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
Chiefway Katunayake (Private) Limited	Sri Lanka, 31 March 2017, limited liability company	100%	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%	100%	Registered and fully paid capital LKR98,791,540	Manufacturing and trading of apparel products, Sri Lanka
Asiamax Holdings Limited	HK, 5 September 2018, limited liability company	100%	100%	Registered and fully paid capital HK$1	Trademark licensing, HK
Asiamax (USA) Inc.	United States, 30 June 2020, limited liability company	100%	100%	Registered and fully paid capital US$1,000	Dormant, USA

37. 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
Kam Li Fashion Factory	Common shareholder, Mr. Siu Chi Wai
Full Submit Development Limited	Common shareholder, Mr. Siu Chi Wai

Name of related parties	Nature of transactions	2022 HK$'000	2021 HK$'000
Kam Li Fashion Factory	Motor vehicle rental expenses	–	44
Full Submit Development Limited	Motor vehicle rental expenses	–	50

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

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

(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 from/(to) related parties are included in Note 28.

(iv) Connected parties transactions

Name of entities	Relationship with the Group	
Win 18 Limited ("Win 18"), Win 19 Limited ("Win 19") and Win 20 Limited ("Win 20")	(i)	Common director, Ms. Wong Mei Wai Alice (spouse of a substantial shareholder of the Company).
	(ii)	Common controlling shareholders, Moonlight Global Holdings Limited (before 20 July 2021) and Rainbow Galaxy Limited (before 19 July 2021).
	(iii)	Common substantial shareholder, Moonlight Global Holdings Limited (from 20 July 2021 to 26 November 2021).
	(iv)	Indirectly wholly owned by Ms. Wong Mei Wai Alice (executive director of the Company) from 26 November 2021.
	(v)	Ex-common director, Mr. Choi Siu Wai William (resigned as non-executive Director of the Company on 23 March 2022).
Winfield Group Limited ("Winfield")	(i)	Common director, Ms. Wong Mei Wai Alice (spouse of a substantial shareholder of the Company).
	(ii)	Common controlling shareholders, Moonlight Global Holdings Limited (before 20 July 2021) and Rainbow Galaxy Limited (before 19 July 2021).
	(iii)	Common substantial shareholder, Moonlight Global Holdings Limited (from 20 July 2021 to 26 November 2021).
	(iv)	Directly wholly owned by Ms. Wong Mei Wai Alice (executive director of the Company) from 26 November 2021.
	(v)	Ex-common director, Mr. Choi Siu Wai William (resigned as non-executive Director of the Company on 23 March 2022).

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

(iv) Connected parties transactions *(Continued)*

Name of connected party	Nature of transactions	2022 HK$'000	2021 HK$'000
Win 18 *(Note)*	Rental expense	1,500	1,500
Win 19 *(Note)*	Rental expense	1,500	1,500

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. Prior to 26 November 2021, Winfield was owned as to 50% by Moonlight and as to 50% by Rainbow Galaxy. Moonlight and Rainbow Galaxy were the Controlling Shareholders of the Company prior to 20 July 2021 and 19 July 2021, respectively and Moonlight has been a substantial shareholder of the Company since 20 July 2021. 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 31 March 2021 for the Tenancy Agreement is HK$3,750,000 as set out in the Prospectus of the Company dated 29 September 2018.

On 1 April 2020, the Group entered into an agreement with Win 20 as in relation to the waiver of rental for the period from 1 April 2020 to 31 January 2022.

On 24 November 2020, the Group entered into the Termination Agreement with Win 20 as in relation to the early termination of Win 20 Tenancy Agreement at 1 December 2020.

The ten-month cap amount for the period from 1 April 2020 to 31 January 2021, for the Tenancy Agreement is HK$3,500,000 as set out in the announcement of the Company dated 29 January 2021.

On 29 January 2021, the Group had entered into the New Tenancy Agreements with Win 18 and Win 19 in respect of the lease of the Win 18 Premises and Win 19 Premises respectively for another term of one (1) year commencing from 1 February 2021 to 31 January 2022 (both days inclusive).

The two-month cap amount for the period from 1 February 2021 to 31 March 2021 and ten-month cap amount for the period from 1 April 2021 to 31 January 2022 for the Tenancy Agreement are HK$500,000 and HK$2,500,000 respectively as set out in the announcement of the Company dated 29 January 2021.

On 13 January 2022, the Group had entered into the New Tenancy Agreements with Win 18 and Win 19 in respect of the lease of the Win 18 Premises and Win 19 Premises respectively for another term of one (1) year commencing from 1 February 2022 to 31 January 2023 (both days inclusive).

The two-month cap amount for the period from 1 February 2022 to 31 March 2022 and ten-month cap amount for the period from 1 April 2022 to 31 January 2023 for the Tenancy Agreement are HK$500,000 and HK$2,500,000 respectively as set out in the announcement of the Company dated 13 January 2022.

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
– Convertible promissory note	–	3,292
– Trade receivable at fair value through profit or loss	64,500	–
Financial assets at amortised cost		
– Trade and other receivables	63,897	158,494
– Amounts due from related parties	1	108
– Cash and cash equivalents	33,391	63,853
	161,789	225,747
Financial liabilities		
At amortised cost		
– Trade, bills and other payables	99,736	76,637
– Amounts due to related parties	3,301	742
– Loans from a shareholder	18,987	–
– Bank overdrafts	–	53
– Bank borrowings	161,863	237,022
– Lease liabilities	9,075	9,546
	292,962	324,000

(b) Financial risk management objectives and policies

The Group's principal financial assets are trade and other receivables, amounts due from related parties 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 overdrafts, 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.

38. 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**	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
RMB	**–**	2	**1**	1
EUR	**29**	900	**1**	40
LKR	**–**	–	**75**	37

38. 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 2022		
RMB	**5%/(5%)**	**–**
EUR	**5%/(5%)**	**(1)/1**
LKR	**5%/(5%)**	**4/(4)**
As at 31 March 2021		
RMB	5%/(5%)	(1)/1
EUR	5%/(5%)	(43)/43
LKR	5%/(5%)	2/(2)

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.

38. 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 2022 and 2021, 38.6% and 46.1%, respectively, of the total trade receivables were due from the Group's largest customer; and 97.9% and 99.3%, 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 on trade receivables at amortised cost. 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.

38. 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 debtors with significant outstanding balances are assessed individually for provision for impairment allowance.

As at 31 March 2022, the balances of such individually assessed trade receivables relating to a customer with significant outstanding balances are HK$78,920,000 (2021: HK$73,499,000) and the loss allowance in respect of these receivables are HK$42,387,000 (2021: HK$15,090,000).

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 at amortised cost as at 31 March 2022 and 2021:

As at 31 March 2022	**Expected loss rate (%)**	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Current	3.81%	7,003	267
Less than 1 month past due	3.82%	8,178	312
More than 1 month but less than 3 months past due	4.92%	7,853	386
More than 3 months but less than 6 months past due	8.45%	1,302	110
More than 6 months but less than 12 months past due	22.72%	22	5
More than 1 year past due	N/A	–	–
		24,358	1,080

38. 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 2021	Expected loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000
Current	2.04%	80,657	1,645
Less than 1 month past due	3.34%	4,844	162
More than 1 month but less than 3 months past due	3.90%	445	17
More than 3 months but less than 6 months past due	6.53%	5	–*
More than 6 months but less than 12 months past due	8.72%	73	6
More than 1 year past due	N/A	–	–
		86,024	1,830

* Represents amount less than HK$1,000.

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 historical 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 at amortised cost 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	
	2022 HK$'000	2021 HK$'000
Current	**7,406**	82,602
Less than 1 months past due	**11,616**	7,556
More than 1 months but less than 3 months past due	**11,905**	2,237
More than 3 months but less than 6 months past due	**5,953**	14,448
More than 6 months but less than 12 months past due	**10,009**	21,955
More than 1 year past due	**12,922**	13,805
	59,811	142,603

38. 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 at amortised cost for the year:

	HK$'000
As at 1 April 2020	52,762
Expected credit loss on trade receivables recognised during the year	1,889
Amounts written off as uncollectible	(37,731)
As at 31 March 2021 and 1 April 2021	**16,920**
Expected credit loss on trade receivables recognised during the year	**26,547**
As at 31 March 2022	**43,467**

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 2020	1,098
Expected credit loss on other receivables recognised during the year	5,425
As at 31 March 2021 and 1 April 2021	**6,523**
Expected credit loss on other receivables recognised during the year	**11,126**
As at 31 March 2022	**17,649**

(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.

38. 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	Over 5 years HK$'000
As at 31 March 2022						
Trade, bills and other payables	N/A	99,736	99,736	99,736	–	–
Loan from a shareholder	N/A	18,987	20,700	–	20,700	–
Amounts due to related parties	N/A	3,301	3,301	3,301	–	–
Bank borrowings:						
Trust receipt loans	2.3397%	124,973	127,898	127,898	–	–
Bank borrowings:						
Term and revolving loans	0.51% to 3.256%	36,890	37,027	37,027	–	–
Lease liabilities	5.78%	9,075	15,812	3,920	4,622	7,270
		292,962	304,747	271,882	25,322	7,270
As at 31 March 2021						
Trade, bills and other payables	N/A	76,637	76,637	76,637	–	–
Amounts due to related parties	N/A	742	742	742	–	–
Bank overdrafts	1.90%	53	53	53	–	–
Bank borrowings:						
Trust receipt loans	1.6896% to 3.0524%	132,071	132,248	132,248	–	–
Bank borrowings:						
Term and revolving loans	0.51% to 4.75%	104,951	105,558	105,558	–	–
Lease liabilities	5.78%	9,546	16,184	6,607	2,126	7,451
		324,000	331,422	321,845	2,126	7,451

38. 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.

	2022 HK$'000	2021 HK$'000
Term and revolving loans subject to repayment on demand clause based on scheduled repayments		
Carrying amount	36,890	104,951
Within three months	31,754	84,300
More than three months but less than one year	4,312	16,128
More than one year but less than five years	961	5,130
Total contractual undiscounted cash flow	37,027	105,558

38. 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.

	2022		2021	
	Effective interest rate (%)	HK$'000	Effective interest rate (%)	HK$'000
Floating rate bank borrowings				
Bank borrowings: Trust receipt loans	2.3397%	124,973	1.6896% to 3.0524%	132,071
Bank borrowings: Term and revolving loans	0.51% to 3.256%	36,890	0.51% to 4.75%	104,951
Total net bank borrowings		161,863		237,022

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$1,618,630 (2021: HK$2,370,000).

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.

38. 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 overdrafts, bank borrowings, lease liabilities, loans from a shareholder and amounts due to related parties, and less cash and cash equivalents. Capital includes equity attributable to owners of the Company.

	2022 HK$'000	2021 HK$'000
Total debt	292,962	324,000
Less: Cash and cash equivalents	(33,391)	(63,853)
Net debt	259,571	260,147
Equity attributable to the owners of the Company	26,845	57,003
Net debt and equity	286,416	317,150
Debt to capital ratio	90.63%	82.03%

38. 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 and non-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 2022				
Prepaid insurance premium	–	8,513	–	8,513
Trade receivables at fair value through profit or loss	–	64,500	–	64,500
As at 31 March 2021				
Prepaid insurance premium	–	8,246	–	8,246
Convertible promissory note	–	–	3,292	3,292

There were no transfers between levels during the year.

39. 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 statement of cash flows as cash flows from financing activities.

Reconciliation of liabilities arising from financing:

	Bank borrowings HK$'000	Lease liabilities HK$'000	Shareholders' loan HK$'000	Amount due to related companies HK$'000
At 1 April 2020	231,439	15,522	–	1,113
Changes from financing cash flows:				
– Proceeds from bank borrowings	494,799	–	–	–
– Repayment of bank borrowings	(489,216)	–	–	–
– Repayment of principal portion of lease liabilities	–	(7,919)	–	–
– Repayment of interest portion of lease liabilities	–	(698)	–	–
– Interest paid	(4,938)	–	(205)	–
– Cash advances from shareholders	–	–	34,000	–
Total changes from financing cash flow	645	(8,617)	33,795	–
Other changes:				
– Current account with related companies	–	–	–	(371)
– Lease adjustments	–	1,943	–	–
– Interest incurred for the year	4,938	698	–	–
– Shareholders' loan transfer to capital reserve	–	–	(34,000)	–
– Interest expenses on loans from shareholders	–	–	205	–
	4,938	2,641	(33,795)	(371)
At 31 March 2021 and At 1 April 2021	237,022	9,546	–	742

39. NOTES SUPPORTING CASH FLOW STATEMENT *(Continued)*

	Bank borrowings HK$'000	Lease liabilities HK$'000	Shareholders' loan HK$'000	Amount due to related companies HK$'000
At 1 April 2021	237,022	9,546	–	742
Changes from financing cash flows:				
– Proceeds from bank borrowings	693,564	–	–	–
– Repayment of bank borrowings	(768,723)	–	–	–
– Repayment of principal portion of lease liabilities	–	(7,421)	–	–
– Repayment of interest portion of lease liabilities	–	(533)	–	–
– Interest paid	(3,658)	–	–	–
– Cash advances from shareholders	–	–	32,400	–
– Cash advances from a related company	–	–	–	2,559
Total changes from financing cash flow	(78,817)	(7,954)	32,400	2,559
Other changes:				
– Lease adjustments	–	6,950	–	–
– Interest incurred for the year	3,658	533	–	–
– Shareholders' loan transfer to capital reserve	–	–	(13,413)	–
	3,658	7,483	(13,413)	–
As at 31 March 2022	161,863	9,075	18,987	3,301

40. EVENTS AFTER THE REPORTING PERIOD

On 9 June 2022, the Hong Kong Legislative Council passed the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 (the "Bill") to abolish the Mandatory Provident Fund Scheme (the "MPF") offsetting mechanism. It is envisaged that the cancellation of mechanism will not come into effect until 2025 at the earliest. The abolishment of the MPF offsetting mechanism will not have retrospective effect. The Group has already commenced an assessment of the impact of the Bill to the Group. The Group is not yet in a position to state whether the abolishment of the MPF offsetting mechanism will result in substantial change to the Group's financial statements.

Five-year Financial Summary

RESULTS

	Year ended 31 March				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Turnover	676,856	641,733	590,873	371,276	**455,970**
(Loss) Profit for the year	20,012	(22,670)	(58,638)	(33,253)	**(38,847)**
Attributable to:					
Owners of the Company	20,012	(22,670)	(58,638)	(33,253)	**(38,847)**
Non-controlling interests	–	–	–	–	**–**
	20,012	(22,670)	(58,638)	(33,253)	**(38,847)**

ASSETS AND LIABILITIES

	At 31 March				
	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Total assets	364,490	385,633	373,517	384,578	**324,238**
Total liabilities	295,956	270,089	316,825	327,575	**297,393**
	68,534	115,544	56,692	57,003	**26,845**
Equity attributable to owners of the Company	68,534	115,544	56,692	57,003	**26,845**
Non-controlling interests	–	–	–	–	**–**
	68,534	115,544	56,692	57,003	**26,845**