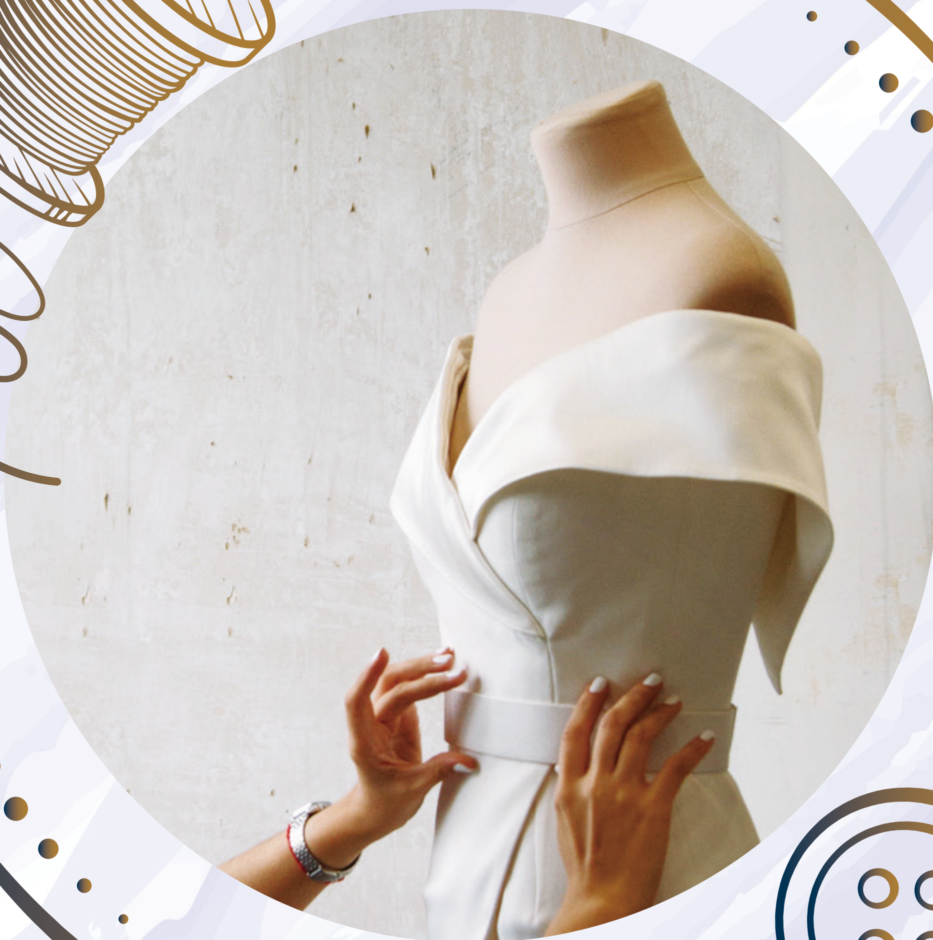
STERLING GROUP
HOLDINGS LIMITED
美臻集團控股有限公司



ANNUAL REPORT 2023

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

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. Tsang Ho Yin
Ms. Zhang Lingling
Mr. Choi Wai Hin

JOINT COMPANY SECRETARIES

Mr. Kwong Lun Kei Victor
Ms. Wong Wing Yee

AUDIT COMMITTEE

Mr. Choi Wai Hin *(Chairperson)*
Mr. Tsang Ho Yin
Ms. Zhang Lingling

REMUNERATION COMMITTEE

Mr. Tsang Ho Ying *(Chairperson)*
Ms. Wong Mei Wai Alice
Ms. Zhang Lingling
Mr. Choi Wai Hin

NOMINATION COMMITTEE

Ms. Wong Mei Wai Alice *(Chairperson)*
Mr. Tsang Ho Yin
Ms. Zhang Lingling
Mr. Choi Wai Hin

AUTHORISED REPRESENTATIVES

Mr. Chung Sam Kwok Wai
Mr. Siu Yik Ming

REGISTERED OFFICE

3rd 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

Baker Tilly Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
Level 8
K11 ATELIER King's Road
728 King's Road
Quarry Bay
Hong Kong

FINANCIAL ADVISOR

Zijing Capital Limited
Units 502A–503A
5/F., Tower 2
Admiralty Centre
No. 18 Harcourt Road
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
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
3rd Floor, Century Yard
Cricket Square
P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

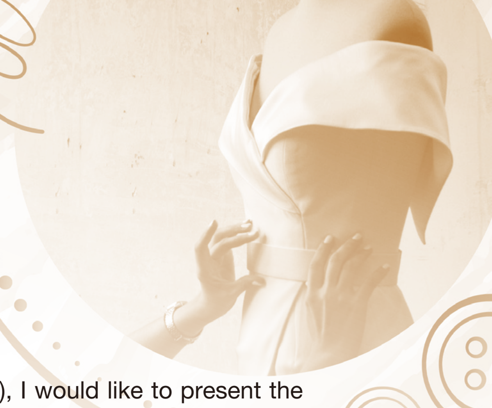
Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Financial Highlights

	For the year ended 31 March 2023	2022
Operating results (HK$'000)		
Revenue	623,433	455,970
Gross profit	107,184	61,069
Gross profit margin	17.19%	13.39%
Selling and distribution costs	(31,943)	(24,863)
General and administrative expense	(49,061)	(50,814)
Operating profit/(loss)	22,028	(1,174)
Expected credit loss recognised on trade and other receivable, net	(2,101)	(37,673)
Net profit/(loss) for the year	19,927	(38,847)
Add: Depreciation of property, plant and equipment	5,046	5,155
Depreciation of right-of-use assets	4,127	7,750
Finance costs	11,205	4,537
Income tax expenses/(credit)	4,697	(6,612)
EBITDA after ECL	45,002	(28,017)
Add: Expected credit loss recognised on trade and other receivable, net	2,101	37,673
EBITDA before ECL	47,103	9,656
Financial position (HK$'000)		
Cash and bank balances	20,851	33,391
Total assets	301,574	324,238
Net assets attributable to owners	47,003	26,845
Key ratios		
Net profit/(loss) margin	3.2%	-8.5%
Earnings/(loss) per share		
– Basic and diluted (HK cents)	9.34	-19.42
Return on total assets	6.6%	-12.0%
Return on average total equity	54.0%	-92.7%
Interest coverage ratio	3.2 times	(9.0 times)
Current ratio	0.80	0.76
Quick ratio	0.59	0.61
Gearing ratio	309.8%	603.0%
Debt-to-equity ratio	265.4%	478.6%

* 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.



Chairperson’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 2023.

The year ending 31 March 2023 (“the reporting period”) was a year to rejoice as the Company reported sales revenue of approximately HK$623,433,000, a remarkable increase of 36.7% over that of last year. This came on the heel of a 22.8% increase in sales of last year over the year before, making a robust recovery of 67.9% from the nadir of the Company’s sales in 2020/21 in the aftermath of COVID. A good portion of the increase in the Company’s sales revenue came from our largest customer, the sales from which went up 49.1% over that of 2022. This was perhaps a result of their low inventory level to start with, following the reduced buys in the year of the COVID and then the strong sales rebound in US apparel sales thereafter. Look ahead to the year 2023/24 and based on the orders on hand for the 2023 fall/holiday season, we are optimistic that sales from our largest customer will remain relatively stable and may decrease only slightly when compared with such a strong showing in the reporting period.

The remarkable sales performance of the Company in the reporting period actually belies the challenging economic environment of the U.S. market, from which the Company derives nearly all of its revenue. Beneath the calm of a strong labor market and the gains of the US stock indices ranging from approximately 9% to 22% in the last twelve months, U.S. Chapter 11 bankruptcy filings actually jumped 68% in the first half of 2023 from a year earlier with businesses and consumers struggling with the highest cost of borrowing in recent decades as the U.S. Federal Reserve has ratcheted up interest rate ten times since March 2022 in order to bring inflation within its target range. One of our new customers, iMedia, succumbed to the unrelenting pressure and voluntarily filed petitions for relief under Chapter 11 of the U.S. Bankruptcy Code on 28 June 2023, to continue pursuing strategic alternatives. iMedia has subsequently announced that it has entered into an asset and equity purchase agreement with a purchaser which is the owner of a large portfolio of independent broadcast assets reaching one third of US TV households. Completion of the agreement would enable iMedia to resume normal operations to continue to provide products and services to its customers. As a critical vendor in the apparel category for iMedia, the Company has reached agreement with iMedia’s new owner to accept a certain discount on the account receivable balance of about US$3.3 million at 30 June 2023 and continue to be a major apparel vendor to iMedia. While the Company regrets the write-off in its account receivable, the silver lining is that the Company and its legal counsel consider the discount to be reasonable and acceptable in such proceedings and look forward to a mutually beneficial relationship as their major apparel vendor in years to come.

The Company has had some success in diversifying its customer base, which at one point was dominated by one customer contributing more than 95% of its sales. In the last three years ending 31 March 2021, 2022 and 2023, this same customer made up about 74.2%, 70.3% and 76.6% respectively. While the Company strives to keep growing its business with its largest customer, it will also focus on expanding its customer base.

The cost saving measures the Company has implemented in the last three years have resulted in a more efficient overhead structure in its factories in Panyu, China and Sri Lanka, as well as the Hong Kong head office. The Company has no intention of resting on its laurels and is looking to implement the next phase of retrenchment.

Chairperson's Statement

The financial performance of the Company in the reporting period is a remarkable improvement over that of last year. In addition to the much higher sales mentioned earlier, the gross profit margin also expanded to 17.2% for the reporting period from 13.4% in the corresponding period. This is a very significant improvement as every 1% increase in gross profit margin for HK$600 million sales is equal to HK$6 million. The net profit for the reporting period was approximately HK$19,927,000 compared with a loss of approximately HK$38,847,000 in the corresponding period. We are also pleased to report that nearly all financial metrics – debt to equity ratio, gearing ratio, interest coverage ratio, return-on-assets and return-on-equity – have shown meaningful improvement in the reporting period.

On behalf of the Board, I would like to express my sincere appreciation to our team of management and dedicated staff for their hard work and commitment in dealing with the challenges in recent years and delivering the results we have seen to date. As always, we owe a debt of gratitude to our customers, business partners, professional parties, suppliers, board members and shareholders for their unwavering support, guidance and confidence in the Group that has enabled us to forge ahead and continually seek improvements in our business.

Wong Mei Wai, Alice
Chairperson

28 June 2023

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..

As at 31 March 2023, 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 issued shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK") since 19 October 2018.

BUSINESS REVIEW

Financial Overview

Following the strong post-pandemic rebound in 2021, the US apparel market continued to grow in 2022 despite rising interest rates, inflation, and an ominous macro-economic environment. For the year ended 31 March 2023 (the "Year under Review"), the Group's revenue increased by about 36.7% to approximately HK$623,433,000 from approximately HK$455,970,000 for the year ended 31 March 2022 (the "corresponding period"). The gross profit margin of the Group improved significantly from 13.4% for the corresponding period to 17.2% for the Year under Review.

The reasons for the improvement in the Group's gross profit margin were threefold. First, it's the continued reduction in the factories' labour costs and overheads because of the increased use of outsourced factories for our new customers and the much smaller scale of operations in our China Panyu factory as it focuses on making only high end apparels and serving as a technical and product development center for the Group. Second, the devaluation of the Sri Lanka rupee also contributed to a decrease in the costs of operations in our Sri Lanka factories, even allowing for the higher than normal wage increments offered to employees to alleviate their rising cost of living. Third, the operating leverage from the much higher sales volume than the corresponding period also drove down the unit cost of production.

In the Year under Review, the selling and distribution costs went up from approximately HK$24,863,000 in the corresponding period to approximately HK$31,943,000 for an increase of approximately 28.5%. The general and administration expenses showed a slight decrease of 3.4% in a year-over-year comparison to HK$49,061,000 in the Year under Review. However, the finance costs for the Year under Review was HK$11,205,000, an increase of HK$6,668,000 over the corresponding period largely as a result of rapidly rising interest rates during the year and a higher credit utilization in line with an increase in sales volume.

The operating profit for the Group was approximately HK$22,028,000 for the Year under Review or a net profit of HK$19,927,000 after an income tax provision of HK$4,697,000 as compared to an operating loss of HK$1,174,000 in the corresponding period, or a net loss of HK$38,847,000 after provision for expected credit loss of HK$37,673,000 for the corresponding period compared with a provision of HK$2,101,000 for the Year under Review.

The EBITDA for the Year under Review was a gain of HK$45,002,000 compared with a comparable EBITDA loss of approximately HK$28,017,000 for the corresponding period, an improvement in EBITDA of HK$73,019,000 in a year-over-year comparison.

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) bottom (which includes pants, shorts and skirts, and is chiefly made from cotton, wool and wool blend), (iii) top (which includes mainly shirts, blouses and tank tops, and is chiefly made from cotton, polyester, triacetate, and lyocell) and (iv) others (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:

	2023			2022		
	Revenue HK$'000	Quantity Pcs'000	Unit Price HK$	Revenue HK$'000	Quantity Pcs'000	Unit Price HK$
Outerwear	245,423	663	370.2	165,506	477	346.7
Bottom	269,453	1,986	135.7	175,695	1,576	111.5
Top	37,386	207	180.6	50,699	346	146.4
Others	70,516	291	242.3	63,415	419	151.3
	622,778	3,147		455,315	2,818	
Licensing and related income	655	–		655	–	
	623,433	3,147		455,970	2,818	

Revenue from most of the 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 were outerwear and bottom, as more people returned to work and social activities.

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

	2023		2022	
	Revenue HK$'000	% of revenue	Revenue HK$'000	% of revenue
US	609,905	97.9%	436,514	95.7%
Italy	7,624	1.2%	17,708	3.9%
Hong Kong	10	0.0%	71	0.1%
UK	106	0.0%	569	0.1%
Others	5,788	0.9%	1,108	0.2%
	623,433	100.0%	455,970	100.0%

Management Discussion and Analysis

Other Revenue

Other revenue for the Year under Review was approximately HK$10,655,000 (2022: approximately HK$7,661,000). The increase was due to government grants of approximately HK$1,591,000 mainly from the Hong Kong Government and PRC local government authority for employment support, as well as imputed interest income from trade and other receivables of approximately HK$3,782,000 during the Year under Review (2022: approximately HK$1,983,000).

Other Gains and Losses, Net

The net other gains amounted to approximately HK$1,095,000 (2022: approximately HK$3,698,000). It comprised chiefly of impairment of intangible assets of approximately HK$349,000 (2022: approximately HK$858,000), and exchange gain of approximately HK$1,128,000 (2022: approximately HK$2,321,000).

Selling and Distribution Costs

Selling and distribution costs for the Year under Review increased by approximately 28.5% to approximately HK$31,943,000 (2022: approximately HK$24,863,000). It was mainly due to: (1) duty and freight increased by 79.4% to approximately HK$10,359,000 (2022: approximately HK$5,775,000); (2) QA and related trip expense increased by 225.4% to approximately HK$2,245,000 (2022: approximately HK$690,000).

General and Administrative Expenses

General and administrative expenses for the Year under Review were approximately HK$49,061,000, representing a slight decrease of approximately HK$1,753,000 from that of approximately HK$50,814,000 for the corresponding period. For the Year under Review, the depreciation charges decreased by approximately 14.5% to approximately HK$4,562,000 (2022: approximately HK$5,336,000) due to some fixed assets being fully depreciated. The auditor's remuneration decreased from approximately HK$1,280,000 for corresponding period to approximately HK$980,000 for the Year under Review.

Finance Costs

The Group's finance costs increased by approximately 147.0% from approximately HK$4,537,000 for the corresponding period, to approximately HK$11,205,000 for the Year under Review, mainly due to the rapidly rising interest rate throughout the year.

Income Tax Expenses/(Credit)

Due to the profit earned by the Group, there was an income tax expense of approximately HK$4,697,000 for the Year (2022: income tax credit of approximately HK$6,612,000).

Financial Position

As at 31 March 2023, the Group's cash and cash equivalents amounted to approximately HK$20,851,000 (as at 31 March 2022: approximately HK$33,391,000). The decrease was mainly due to repayment of bank loans.

Bank borrowing decreased significantly by approximately HK$16,270,000 (approximately 10.1%) to approximately HK$145,593,000 as at 31 March 2023 (as at 31 March 2022: approximately HK$161,863,000). 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 2023 (2022: Nil).

OUTLOOK

Since March 2022, the US has successively increased its federal funds rate ten times to about 5.25% by June 2023. This is the sharpest rise in US interest rates in the last four decades in an effort to bring under control the inflation rate, which peaked at about 9% in May 2022. Despite the PCE (personal consumption expenditure) inflation rate coming down to about 3.9% in Q2 2023, the Federal Reserve signaled two more rate increases in balance of 2023 after holding the federal fund rate steady in June 2023. The interest rate has become the most watched economic indicator in the market as it increases the cost of borrowing on home mortgages, credit card balances, car loans and all other consumer debts, which directly impacts consumers' expenditure on goods and services.

The preponderance of economic forecast in June 2023 points to a recession or soft landing in 2H 2023 and a gradual recovery in 2024 when the interest rate is expected to come down. The one mitigating factor is the historically low unemployment rate of about 3.5% in Q1 2023, which lends support to the view that a recession may possibly be averted in 2023. Apparel expenditure, especially those in the higher price points, is in the consumer discretionary which is sensitive to the economic cycle.

Against this backdrop of a possible further economic slowdown from tightening credit conditions, the Group having seen its sales revenue rebounded about 68% from two years ago is not planning on further sales growth for the year ending 31 March 2024. Based on the orders on hand for the next few months from our largest customer which is an iconic brand in the US, the Group expects to maintain similar sales revenue therefrom as in the Year under Review. Sales from existing newer and smaller customers are more susceptible to adverse changes in the economy. In addition to serving its largest customer of thirty odd years, the Group is also focused on developing new accounts in the coming year.

The retrenchment efforts that began in 2020 – downsizing of the Hong Kong office, migration of merchandising function to the Group's China factory, relocation of the China factory to a much smaller space, and reduction of headcounts in both the China and Sri Lanka factories – have now been completed resulting in a lower overhead cost structure, which would enable the Group to better cope with sales fluctuations. We will look for greater efficiency in our operations as we continue to try diversifying our customer base. The uncertain economic outlook demands our vigilance to maintain profitability achieved in the current year.

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 2023, the Group had cash and bank balances amounting to approximately HK$20,851,000 (as at 31 March 2022: approximately HK$33,391,000), and current assets and current liabilities of approximately HK$194,354,000 (as at 31 March 2022: approximately HK$203,416,000) and approximately HK$241,907,000 (as at 31 March 2022: approximately HK$268,365,000) respectively. It should be noted that the current liabilities balance as at 31 March 2022 included approximately HK$480,000, the total of amounts due after one year but were included as current liabilities because of the payment on demand clause in bank loan covenants.

As at 31 March 2023, there were bank borrowings of approximately HK$145,593,000 (as at 31 March 2022: approximately HK$161,863,000). The bank borrowings are mainly denominated in Hong Kong dollar and US dollar. As at 31 March 2023, the Group's interest-bearing bank borrowings carried mainly variable rate borrowings with annual interest rate of 1.70% to 7.70% (2022: 0.51%–3.26%) per annum.

As at 31 March 2023, 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 309.75% (31 March 2022: approximately 603.0%). The decrease was a direct result of decrease in bank borrowing and improvement in the Group's net operating profit.

The bank borrowings of the Group are secured by (a) certain assets of the Group, (b) 18th and 19th floors of Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong owned by two related companies which share a common director and shareholder 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.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group employed approximately 1,444 full-time employees (as at 31 March 2022: approximately 1,381 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 2023, 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.

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 2023, 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 66, has been 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-nine years of experience in the apparel industry. She was the general manager of Sterling Possessions (H.K.) Limited from 1 July 1994 to 31 October 2012, which was the predecessor company of Sterling Apparel.

Mr. Siu Yik Ming (蕭翊銘), aged 37, was appointed as a director of Zhi Wei (Guangzhou) Garment Manufacturing Co., Limited, 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. YM 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 68, 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. Tsang Ho Yin (曾浩賢), aged 37, 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; (iv) the joint company secretary and authorised representative of 1957 & Co. (Hospitality) Limited (stock code: 8495) since 19 August 2022.

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; the company secretary and authorised representative of Sino Energy International Holdings Group Limited (stock code:1096) from November 2018 to July 2019; and an independent non-executive director of Summi (Group) Holdings Limited (stock code:756) from July 2022 to September 2022.

Ms. Zhang Lingling (張玲玲), aged 32, 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.

Directors and Senior Management

Mr. Choi Wai Hin (蔡瑋軒), aged 43, was appointed as an independent non-executive Director on 8 July 2022. Mr. Choi is the chairperson of our Audit Committee and a member of our 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 21 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 vice president, the chief financial officer, company secretary and authorized representative of Cosmo Lady (China) Holdings Company Limited, the issued shares of which are listed on the Stock Exchange (stock code: 2298), since November 2022. Mr. Choi is also an independent non-executive director of KRP Development Holdings Limited, the issued shares of which are listed on the Stock Exchange (stock code: 2421), since February 2023. Mr. Choi served as the chief financial officer of Weiye Holdings Limited, the issued shares of which are listed on the Stock Exchange (stock code: 1570), from December 2019 to November 2022; and served as 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. He also worked in KPMG from March 2004 to August 2014.

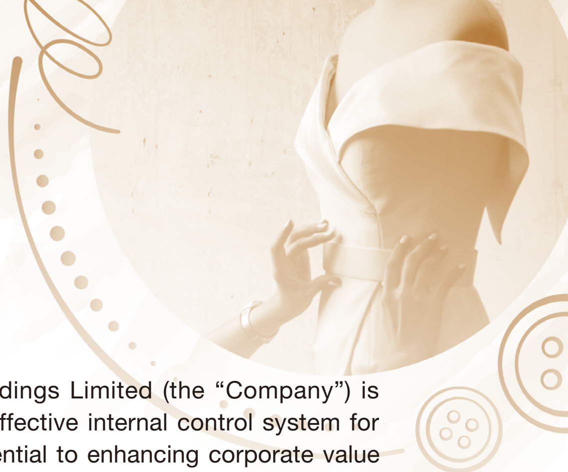
SENIOR MANAGEMENT

Mr. Lau Kwong Fai Anders (劉光輝), aged 48, 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 27 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 41, 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 11 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), Zhong Ao Home Group Limited (stock code: 1538) and Hong Wei (Asia) Holdings Company Limited (stock code: 8191), which are companies listed on the Main Board or GEM of the Stock Exchange (as the case may be), since 1 April 2020, 1 January 2022 and 30 September 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 an associate of The Hong Kong Chartered Governance Institute since 2022. She obtained the degree of Master of Science in Corporate Governance and Compliance in 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 senior finance manager & company secretary 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.

CORPORATE CULTURE

The Board is committed to building, maintaining, and constantly updating a corporate culture that is aligned with our purpose and values. The spirit of our corporate culture encompasses creating a friendly environment facilitating information flow and informed decision-making, driving us to act lawfully, ethically, and responsibly for balancing short terms benefits with long-term sustainability in the interests of our shareholders and other stakeholders.

The Company has adopted some measures for assessing and monitoring our corporate culture, such as the employee feedback, turnover rate and compliance readiness with internal policies and regulatory requirements. Based on the above, the Board considers that the Company has preserved a proper corporate culture.

CORPORATE GOVERNANCE PRACTICES

For the financial year ended 31 March 2023, 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 Directors' 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 Directors' 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. Tsang Ho Yin
5. Ms. Zhang Lingling
6. 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 14.

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 2023, the Company has held an annual general meeting and four Board meetings including four regular Board meetings in accordance with the principles and requirements set out in code provision A.1. The Board meetings during the reporting period were chaired by our chairperson, Ms. Wong Mei Wai Alice.

Board	Gender	Number of Attendance/ Number of Board Meeting	Number of Attendance/ Number of Annual General Meeting
Executive Directors:			
Ms. Wong Mei Wai Alice *(Chairperson of the Board and CEO)*	F	4/4	1/1
Mr. Chung Sam Kwok Wai *(CFO and COO)*	M	4/4	1/1
Mr. Siu Yik Ming	M	4/4	1/1
Independent Non-Executive Directors:			
Mr. Tsang Ho Yin	M	4/4	1/1
Ms. Zhang Lingling	F	4/4	1/1
Mr. Choi Wai Hin *(appointed on 8 July 2022)*	M	3/3	1/1
Mr. Chan Kee Huen, Michael *(retired on 31 August 2022)*	M	1/1	1/1

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

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

Other than regular meetings, the Chairperson (and as an executive Director) also meets with independent non-executive Directors without the presence of other 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 2023, 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 its 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 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 2023, the Board considers that all Directors have devoted sufficient time and interest commitment and brought valuable contributions to the Company as summarized below.

	Contributions & Attributes					
Directors	Industry Knowledge	Business Management	Financial Management	Legal & Compliance	Public Services	Other Listed Exp.
Ms. Wong Mei Wai Alice	✔	✔				
Mr. Chung Sam Kwok Wai	✔	✔	✔	✔		✔
Mr. Siu Yik Ming	✔	✔				
Mr. Tsang Ho Yin			✔	✔	✔	✔
Ms. Zhang Lingling			✔		✔	✔
Mr. Choi Wai Hin *(appointed on 8 July 2022)*			✔	✔	✔	✔
Mr. Chan Kee Huen Michael *(retired on 31 August 2022)*			✔	✔	✔	✔

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER

In the financial year ended 31 March 2023, Ms. Wong Mei Wai Alice acted as the chairperson and chief executive officer of the Group. 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 established 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. Choi Wai Hin who is chairperson of the Audit Committee and has professional qualifications and experience in accounting and finance management as stipulated in the Listing Rules.

The Audit Committee's terms of reference in writing were adopted by the Company pursuant to the Board Resolution passed on 21 September 2018 and updated on 17 January 2019. The terms of reference require 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 2023, 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 2023, 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. Choi Wai Hin *(Chairperson of Audit Committee, appointed on 8 July 2022)*	2/2
Mr. Tsang Ho Yin	4/4
Ms. Zhang Lingling	4/4
Mr. Chan Kee Huen Michael *(retired on 31 August 2022)*	2/2

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.

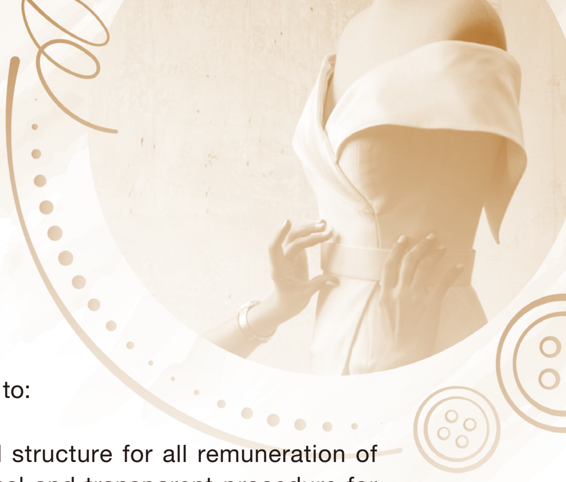
Remuneration Committee

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. Choi Wai Hin. The Remuneration Committee consists of a majority of independent non-executive Directors as stipulated in the Listing Rules, which is chaired by Mr. Tsang Ho Yin.

The Remuneration Committee's terms of reference in writing were adopted by the Company pursuant to the Board Resolution passed on 21 September 2018 and revised on 1 January 2023. The terms of reference require 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 E.1.2(c)(ii) 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 2023, 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)*	2/2
Ms. Zhang Lingling	2/2
Mr. Choi Wai Hin *(appointed on 8 July 2022)*	1/1
Mr. Chan Kee Huen Michael *(retired on 31 August 2022)*	1/1
Executive Director:	
Ms. Wong Mei Wai Alice	2/2

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. Choi Wai Hin. The Nomination Committee consists of a majority of independent non-executive Directors as stipulated in the Listing Rules, which is chaired by Ms. Wong Mei Wai Alice.

The Nomination Committee's terms of reference in writing were adopted by the Company pursuant to the Board Resolution passed on 21 September 2018. The terms of reference require 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.

Corporate Governance Report

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.

DIVERSITY

As of 31 March 2023, the gender diversity ratio (by female) at Board level and at overall workforce level are 33% and 75%. The Company has achieved the gender diversity requirement at Board level pursuant to Main Board Listing Rules 13.92, which also sets as the Company's internal target.

At overall workforce level, the Company also takes into key consideration of relevant measurements such as labour supply, staff turnover, skill and experience, educational and professional background and considers that the current gender diversity ratio commensurate with the business model and operational practice of the Group.

The Nomination Committee will review the Policy on a regular 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 2023, 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)*	1/1
Independent Non-Executive Directors:	
Mr. Tsang Ho Yin	1/1
Ms. Zhang Lingling	1/1
Mr. Chan Kee Huen Michael *(retired on 31 August 2022)*	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 2023, 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
Independent Non-Executive Directors:	
Mr. Chan Kee Huen Michael	A, B
Mr. Tsang Ho Yin	A, B
Ms. Zhang Lingling	A, B
Mr. Choi Wai Hin	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 have devoted sufficient time and attention to their duties and the Company's affairs.

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

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Directors are aware of their obligations to prepare consolidated financial statements for the financial year ended 31 March 2023, 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 financial year ended 31 March 2023, Ms. Wong Wing Yee and Mr. Kwong Lun Kei are Joint Company Secretaries of the Company. Ms. Wong Wing Yee is an employee of the Company, an associate of The Hong Kong Chartered Governance Institute 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 2023.

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

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

- the Group's actual and expected financial results;
- the general economic conditions and other internal or external factors that may have impact on the business or financial performance and position of the Group;
- the Group's business operation strategy, including expected working capital requirements, capital expenditure requirements and future development plans;
- the Group's cash flow and liquidity position;
- retained earnings and distributable profit reserves of the Group;
- contractual restrictions on the payment of dividends imposed by the Group's lenders and other institutions;
- effects on the Group's creditworthiness;
- interest of shareholders;
- applicable statutory and regulatory restrictions; and
- any other factors that the Board considers to be applicable from time to time.

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

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

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

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

Any dividend for a financial year will be subject to shareholders' approval. The Board will review the Dividend Policy on a regular basis.

AUDITOR'S STATEMENT AND REMUNERATION

A statement by the Group's auditors on their reporting obligations in respect of the Group's financial statements for the year ended 31 March 2023 is set out in the "Report of the Independent Auditor" section of this report.

An analysis of the remuneration of the external auditor of the Company for the year ended 31 March 2023 is set out below:

	Amount of Fee For the year ended 31 March	
	2023 HK$	2022 HK$
Annual audit services	980,000	1,280,000
Non-audit services	–	–
Total	980,000	1,280,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for establishing and maintaining 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 the 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 engages 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 conducts internal control reviews on an on-going basis and independently reports 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 with 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.

During the year under review, the Company has proposed to amend its Articles of Association and the adoption of the amended Articles of Association is subject to the approval of the Shareholders by way of a special resolution at the forthcoming 2023 AGM. Details of the amendments are set out in the circular dated 28 July 2023 to the Shareholders. An up to date version of the Company's Articles of Association will be uploaded to the Company's website and the Stock Exchange's website after the special resolution approving the adoption of the amended Articles of Association is passed.

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 2023.

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 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 49 of this Annual Report.

No interim dividend was paid for the six months ended 30 September 2022.

The Board does not recommend payment of a final dividend to Shareholders of the Company for the year ended 31 March 2023.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2023 is set out in the section headed "Management Discussion and Analysis" on pages 7 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 36(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 36(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 36(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 36(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 36(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 2023.

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 2023 is set out on page 132.

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 2023 are set out in Note 34 to the consolidated financial statements.

SHARE CAPITAL

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

RESERVES

Movements in reserves of the Group and of the Company during the year are set out on page 52 in the consolidated statement of changes in equity and Note 32 to the consolidated financial statements respectively.

The Company had no distributable reserves as at 31 March 2023, 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 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, representing approximately 8.33% 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 independent non-executive Director 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 2023 and there was no outstanding option as at 31 March 2023.

BANK BORROWINGS

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

DIRECTORS

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

Executive Directors

Ms. Wong Mei Wai, Alice *(Chairperson of the Board and Chief Executive Officer)*
Mr. Chung Sam Kwok Wai *(Chief Financial Officer and Chief Operating Officer)*
Mr. Siu Yik Ming

Independent Non-Executive Directors

Mr. Tsang Ho Yin
Ms. Zhang Lingling
Mr. Choi Wai Hin *(appointed on 8 July 2022)*
Mr. Chan Kee Huen, Michael *(retired on 31 August 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, Mr. Siu Yik Ming and Mr. Chung Sam Kwok Wai will retire by rotation. Mr. Siu Yik Ming and Mr. Chung Sam Kwok Wai, being eligible, offer themselves for re-election as Directors at the forthcoming 2023 AGM.

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

DIRECTORS OF SUBSIDIARIES

During the Year and up to the date of this directors’ report, each of Messrs. Wong Mei Wai Alice, Siu Yik Ming and Chung Sam Kwok Wai 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 Mr. Siu Chi Wai, Hu Xiong Ping, Tse Chau Yin and Wickramasingha Senanayake Appuhamillage Wipul Abayanaga Senanayake.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of the Directors and senior management of the Group as at the date of this report are set out on pages 12 to 14.

INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVES

As at 31 March 2023, the interests and short positions of each Director and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures 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)	16.7%

Notes:

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

2. Ms. Wong Mei Wai Alice, the executive Director, 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.

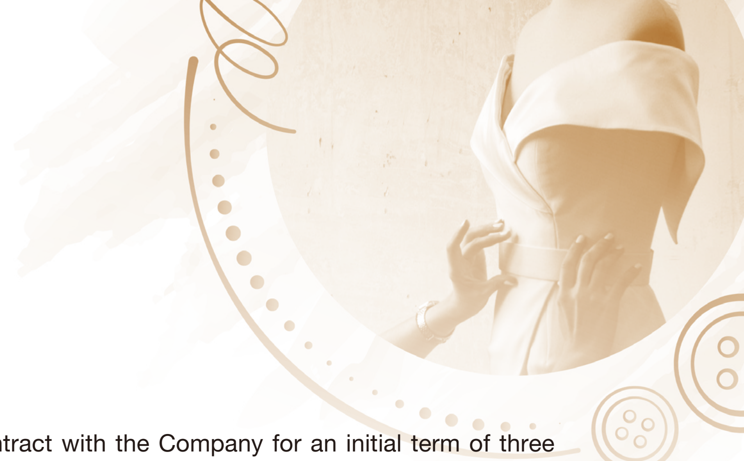
Save as disclosed above, as at the date of this report, none of our Directors nor the chief executives of our Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were 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 independent non-executive Directors 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 2023 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 35 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 2023 or at any time during the year ended 31 March 2023.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year ended 31 March 2023, 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.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2023, 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)	16.7%
Mr. Siu Chi Wai	Interest of controlled corporation[2]	40,100,000 (L)	16.7%
Ms. Wong Mei Wai Alice	Interest of spouse[3]	40,100,000 (L)	16.7%

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, the executive Director, 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 which is 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 2023, the Group employed 1,444 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 2023, the Group had not experienced any strike, any significant problems with its employees or other significant 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 76.6% and 95.4% 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 55.5% and 66.8% 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, 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, Sterling Apparel 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, 13 January 2022 and 1 February 2023, Sterling Apparel 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 Sterling Apparel 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 2023 to 31 January 2024
Monthly rent:	HK$130,000 (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 Sterling Apparel 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 2023 to 31 January 2024
Monthly rent:	HK$130,000 (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 Sterling Apparel 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 2023 HK$'000	**2 months ended 31 March 2023** HK$'000	**10 months ending 31 January 2024** HK$'000
Rental for leasing of 18th floor	1,250	260	1,300
Rental for leasing of 19th floor	1,250	260	1,300
Aggregate Annual Caps	2,500	520	2,600

For the 10 months ended 31 January 2023 and 2 months ended 31 March 2023, 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 1 February 2023.

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 35 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 35 to the consolidated financial statements.

The tenancy agreements under Note 35 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 35 did not fall under the definition of "connected transaction" in Chapter 14A of the Listing Rules and the disclosure requirements thereunder were not applicable.

OTHER INFORMATION

Placing of New Shares Under General Mandate

On 26 October 2022, the Company entered into a placing agreement (the "Placing Agreement") with Grand China Securities Limited (the "Placing Agent"), pursuant to which the Placing Agent has conditionally agreed, as agent of the Company, to procure, on a best effort basis, not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 40,000,000 placing shares at the placing price of HK$0.12 per placing share (the "Placing"). All the conditions set out in the Placing Agreement had been fulfilled and the completion of the Placing took place on 5 December 2022. An aggregate of 40,000,000 placing shares have been placed by the Placing Agent to not less than six placees at the placing price of HK$0.12 per placing share under the general mandate granted to the Directors by resolution of the Shareholders passed at the annual general meeting held on 31 August 2022 and pursuant to the terms and conditions of the Placing Agreement, representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the placing shares immediately upon the completion of the Placing. Please refer to the announcements of the Company dated 26 October 2022 and 5 December 2022 for more details.

The net proceeds from the Placing at the net issue price of approximately HK$0.1194 per placing share were approximately HK$4,776,000. An analysis of the utilization of the net proceeds of the Placing up to 31 March 2023 is set out below:

	Intended use of proceeds HK$'000	**Amount utilized up to 31 March 2023** HK$'000	**Unused as at 31 March 2023** HK$'000
Repayment of bank borrowings	4,000	(4,000)	–
General working capital	776	(776)	–
	4,776	(4,776)	–

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 2023, the Company has complied with all applicable code provisions set out in the CG Code, except for the deviation from code provision C.2.1 regarding the segregation of the roles of chairperson and chief executive. Further information of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 15 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 2023.

EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event after the reporting period.

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

BDO Limited ("BDO") resigned as the auditor of the Company with effect from 13 March 2023, as the Company and BDO were unable to reach a consensus in respect of the proposed audit fee of the Company for the financial year ending 31 March 2023. With the recommendation from the Audit Committee, it has resolved to appoint Baker Tilly Hong Kong Limited as the new auditor of the Company with effect from 13 March 2023 to fill the causal vacancy following the resignation of BDO and to hold office until the conclusion of the next annual general meeting of the Company. For more details regarding the change of auditor of the Company, please refer to the announcement dated 13 March 2023.

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

On behalf of the Board
Wong Mei Wai Alice
Chairperson

Hong Kong, 28 June 2023

Independent Auditor's Report

天職國際

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 Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 131, which comprise the consolidated statement of financial position as at 31 March 2023, 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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.

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.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment, right-of-use assets and goodwill	
Refer to notes 18, 20 and 22 to the consolidated financial statements. As at 31 March 2023, the Group had reported significant property, plant and equipment, right-of-use assets and goodwill with net book value of approximately HK$39,371,000, HK$26,073,000 and HK$15,819,000, respectively. 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. The management has engaged an independent valuer to assist in assessing the impairment assessment of property, plant and equipment, right-of-use assets and goodwill. 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 and estimates.	Our procedures in relation to management's impairment assessment of property, plant and equipment, right-of-use assets and goodwill included: (i) Evaluated the competence, capabilities and objectivity of the independent valuer; (ii) Evaluated the assumptions underpinning the discounted cash flow models, including pre-tax discount rate, revenue growth rates and operating cost structure through assessing the reasonableness of forecasted future cash flows by reference to the future business plan of the Group as well as industry trend; (iii) Assessed the discount rate applied underpinning the discounted cash flow models by performing re-calculations based on market data and certain company specific parameters, as well as evaluating the reasonableness of parameters applied by the independent valuer; (iv) Evaluated the reasonableness of sensitivity analysis provided by the management of the Group, and performing re-calculations to assess the extent of impact on the value-in-use; (v) Evaluated the historical accuracy of the forecasted future cash flows by comparing them to actual results in the current year and understanding the causes for any significant variances; and (vi) Evaluated the appropriateness of the related disclosures including those relating to the key assumptions and sensitivities.

KEY AUDIT MATTERS *(Continued)*

Key audit matter

Recoverability of receivables

Refer to notes 24 and 36(b)(ii)(i) to the consolidated financial statements.

As at 31 March 2023, the Group had trade receivables measured at amortised cost of approximately HK$147,223,000 (before provision) and other receivables of approximately HK$30,541,000 (before provision), with provision for impairment of approximately HK$48,917,000 and approximately HK$14,300,000 respectively (together, the "Receivables"). Loss allowance for the Receivables was provided based on the simplified approach of the expected credit loss model prescribed under HKFRS 9.

Management applied judgement in assessing the expected credit losses. Receivables relating to certain of its customers with known financial difficulties or customers with significant long-aged Receivables balance in proportion to their respective total balance are assessed individually for provision of impairment allowance. Expected credit losses are also estimated by grouping the remaining Receivables based on days past due for grouping of various customer segments sharing similar credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the Receivables.

In developing the loss allowance, the expected credit loss rates of Receivables assessed individually are determined based on corresponding external default data of the customers, their repayment and default histories and on-going business relationship with them. For Receivables assessed collectively, the expected credit loss rates are determined based on historical credit losses experienced. The loss rates are then adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the receivables.

We focused on the expected credit loss allowance for Receivables due to the magnitude of Receivables balance at the year end date and the estimation of relevant expected credit loss involves significant judgement and subjective assumptions.

How our audit addressed the key audit matter

Our procedures in relation to recoverability of receivables included:

(i) Understood management's internal controls and assessment processes of estimating loss allowances for expected credit loss ("ECLs") for the Receivables;

(ii) Inspected the settlement history of the Receivables as well as subsequent settlement after year end date on sample basis;

(iii) Assessed the reasonableness on the methodology and key assumptions adopted by management in assessing ECLs;

(iv) We further evaluated management's assessment on impairment provisions on Receivables with material balance by:

  (a) interviewing and collaborating with the Group's management responsible for monitoring the status of the Receivables to assess the rationale of making the accounting estimates; and

  (b) assessing the financial position of the debtors, where information is available; and

(v) Evaluated the disclosures regarding the impairment assessment of the Receivables in the consolidated financial statements.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2022 were audited by another independent auditor who expressed an unqualified opinion with material uncertainties related to going concern on those consolidated financial statements on 30 June 2022.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the 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.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs 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 audit committee is responsible for overseeing the Group's financial reporting process.

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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 audit committee, 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.

The engagement director on the audit resulting in the independent auditor's report is Del Rosario, Faith Corazon.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 28 June 2023

Del Rosario, Faith Corazon
Practising Certificate Number P06143

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	7	623,433	455,970
Cost of sales		(516,249)	(394,901)
Gross profit		107,184	61,069
Other revenue	8	10,655	7,661
Other gains and losses, net	9	1,095	3,698
Selling and distribution costs		(31,943)	(24,863)
General and administrative expenses		(49,061)	(50,814)
Expected credit loss recognised on trade and other receivables, net		(2,101)	(37,673)
Finance costs	10	(11,205)	(4,537)
Profit/(loss) before tax	11	24,624	(45,459)
Income tax (expenses)/credit	14	(4,697)	6,612
Profit/(loss) for the year		19,927	(38,847)
Other comprehensive (expense)/income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(2,912)	(5,680)
Remeasurement gain on defined benefit plan for the year		56	956
Other comprehensive expense for the year		(2,856)	(4,724)
Total comprehensive income/(expense) for the year attributable to owners of the Company		17,071	(43,571)
		HK cents	HK cents
EARNINGS/(LOSS) PER SHARE			
– Basic and diluted	15	9.34	(19.42)

Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Prepaid insurance premium	17	8,783	8,513
Property, plant and equipment	18	39,371	43,836
Intangible assets	19	6,399	6,748
Right-of-use assets	20	26,073	30,414
Deferred tax assets	21	10,775	11,781
Goodwill	22	15,819	16,824
Other receivables	24	–	2,706
Total non-current assets		107,220	120,822
Current assets			
Inventories	23	52,825	40,024
Trade and other receivables	24	117,860	129,819
Amounts due from related parties	27	2,656	1
Tax recoverable		162	181
Cash and cash equivalents	25	20,851	33,391
Total current assets		194,354	203,416
Total assets		301,574	324,238
Current liabilities			
Trade, bills and other payables	26	95,132	99,736
Amounts due to related parties	27	–	3,301
Bank borrowings	28	145,593	161,863
Lease liabilities	20	1,045	3,465
Tax payable		137	–
Total current liabilities		241,907	268,365
Net current liabilities		(47,553)	(64,949)
Non-current liabilities			
Loans from a shareholder	29	–	18,987
Defined benefit obligation	30	2,219	2,072
Lease liabilities	20	4,383	5,610
Deferred tax liabilities	21	6,062	2,359
Total non-current liabilities		12,664	29,028
Total Liabilities		254,571	297,393
NET ASSETS		47,003	26,845

Consolidated Statement of Financial Position

As at 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
Capital and reserves			
Share capital	31	9,600	8,000
Share premium	32	69,741	66,541
Reserves	32	(32,338)	(47,696)
TOTAL EQUITY		47,003	26,845

The consolidated financial statements on pages 49 to 131 were approved and authorised for issue by the Board of Directors on 28 June 2023 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 2023

	Share capital HK$'000 (Note 31)	Share premium HK$'000 (Note 32)	Capital reserve HK$'000 (Note 32)	Contributed reserve HK$'000 (Note 32)	Translation reserve HK$'000 (Note 32)	Remeasurement reserve HK$'000 (Note 32)	Accumulated losses HK$'000 (Note 32)	Total equity HK$'000
Balance at 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)/income 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 and 1 April 2022	8,000	66,541	47,413	4,078	(4,687)	570	(95,070)	26,845
Profit for the year	–	–	–	–	–	–	19,927	19,927
Exchange difference arising on translation of foreign operations	–	–	–	–	(2,912)	–	–	(2,912)
Remeasurement gain on defined benefit plan for the year	–	–	–	–	–	56	–	56
Total comprehensive (expense)/income for the year	–	–	–	–	(2,912)	56	19,927	17,071
Reversal of deemed capital contribution arising from shareholder's loan *(Note 29)*	–	–	(1,713)	–	–	–	–	(1,713)
Share placement	1,600	3,200	–	–	–	–	–	4,800
Balance as at 31 March 2023	9,600	69,741	45,700	4,078	(7,599)	626	(75,143)	47,003

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES		
Profit/(loss) before income tax	24,624	(45,459)
Adjustments for:		
Depreciation of property, plant and equipment	5,046	5,155
Depreciation of right-of-use assets	4,127	7,750
Provision for defined benefit obligation	546	500
Fair value changes on prepaid insurance premium	(269)	(267)
Fair value changes on convertible promissory note	–	(1,942)
Gain on disposal of convertible promissory note	–	(226)
Interest income	(173)	(268)
Imputed interest income from trade and other receivables	(3,782)	(1,983)
Expected credit loss recognised on trade and other receivables, net	2,101	37,673
(Gain)/loss on disposal of property, plant and equipment	(40)	366
Impairment loss of intangible assets	349	858
Finance costs	11,205	4,537
Operating cash flows before movement in working capital	43,734	6,694
Increase in inventories	(12,801)	(4,175)
Decrease/(increase) in trade and other receivables	12,207	(7,576)
(Decrease)/increase in trade, bills and other payables	(5,039)	23,099
Decrease in defined benefit obligation	(191)	(401)
Cash generated from operations	37,910	17,641
Income tax refunded	–	1,845
Net cash generated from operating activities	37,910	19,486

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Notes	2023 HK$'000	2022 HK$'000
INVESTING ACTIVITIES			
Interest received		173	268
(Advances to)/repayment from related parties		(2,655)	107
Purchases of property, plant and equipment		(1,440)	(2,471)
Proceeds from disposal of property, plant and equipment		211	732
Repayment of convertible promissory note		–	1,560
Proceeds from disposal of convertible promissory note		–	3,900
Net cash (used in)/generated from investing activities		(3,711)	4,096
FINANCING ACTIVITIES			
(Repayment to)/advances from a related party	37	(3,301)	2,559
(Repayment of)/proceeds from shareholder' loans	37	(20,700)	32,400
Proceeds from bank borrowings	37	713,875	693,564
Repayment of bank borrowings	37	(730,145)	(768,723)
Repayment of principal portion of lease liabilities	37	(3,419)	(7,421)
Repayment of interest portion of lease liabilities	37	(441)	(533)
Interest paid	37	(6,625)	(3,658)
Proceeds from placing of new shares	31	4,800	–
Net cash used in financing activities		(45,956)	(51,812)
Net decrease in cash and cash equivalents		(11,757)	(28,230)
Cash and cash equivalents at the beginning of year		33,391	63,800
Effect of foreign exchange rate changes		(783)	(2,179)
Cash and cash equivalents at the end of year	25	20,851	33,391

1. GENERAL INFORMATION

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, 3rd Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, 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 ("US"), Italy and United Kingdom ("UK").

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current liabilities with covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Polices[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) *(Continued)*

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 March 2023, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 Non-current Liabilities with Covenants ("the 2022 Amendments")

The 2022 Amendments modify the requirements introduced by the amendments to HKAS 1 issued in 2020, Classification of Liabilities as Current or Non-current ("the 2020 Amendments") on how an entity classifies debt and other financial liabilities with covenants as current or non-current. The amendments specify that only covenants with which the entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

The amendments also specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The amendments also defer the effective date of the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 March 2023, the application of the amendments will not result in reclassification of the Group's liabilities.

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

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

(b) New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies *(Continued)*

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable 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 OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(b) Basis of measurement and going concern assumption

The consolidated financial statements have been prepared under the historical cost basis except for prepaid insurance premium and trade receivables at fair value through profit or loss, which are measured at fair values at the end of each reporting period as explained in the accounting policies set out in the consolidated financial statements.

The Group had net current liabilities of approximately HK$47,553,000 as of that date. As at 31 March 2023, the Group's liabilities included bank borrowings with an outstanding principal amounting to approximately HK$145,593,000 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$20,851,000.

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 2024 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 operations in future. During the year ended 31 March 2023, the Group's financial performance and cash flow generated from its operations improved drastically compared to the preceding financial year;

(ii) The Group enlarged the capital base of the Company by conducting fund raising exercises such as share placement during the year ended 31 March 2023 to improve the financial position of the Group and the directors of the Company would continue to consider further fund raising exercises when necessary; 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 loan of approximately HK$66,342,000. 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) 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) 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 ECLs 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) 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.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

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 at a point in time when the defective raw materials from suppliers are discovered by the Group and the right to receive such compensation 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

These assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established. If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value-in-use) of the relevant cash-generating unit 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 property, plant and equipment, intangible assets and right-of-use assets may not be recoverable, these assets may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36, Impairment of assets. Under HKAS 36, these 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 determine 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 write 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 end of each 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) and trade receivable with invoice financing (Note 24) at fair value.

For more detailed information in relation to the fair value measurement of the item above, please refer to the Note 36(d) to the consolidated financial statements.

6. SEGMENT INFORMATION

Operating segments

Information reported to the executive directors of the Company, being identified as the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

For management purpose, the Group is currently organised into two operating divisions as follows:

– 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. These operating divisions are the basis of internal reports about components which are regularly reviewed by CODM, the executive directors of the Company, for the purpose of resources allocation and assessing their performance. Each of the operating division represents an operating segment and reporting segment.

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31 March 2023

	Manufacturing and trading of apparel products HK$'000	Licensing of trademark HK$'000	Total HK$'000
Segment revenue			
Revenue from external customers	622,778	655	623,433
Segment profit	42,626	871	43,497
Interest income from banks	173	–	173
Imputed interest income from trade and other receivables	3,782	–	3,782
Finance costs	(11,205)	–	(11,205)
Depreciation of property, plant and equipment	(5,046)	–	(5,046)
Depreciation of right-of-use assets	(4,127)	–	(4,127)
Expected credit loss recognised on trade and other receivables, net	(2,069)	(32)	(2,101)
Impairment loss on intangible assets	–	(349)	(349)
Group's profit before tax			24,624

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

For the year ended 31 March 2022

	Manufacturing and trading of apparel products HK$'000	Licensing of trademark HK$'000	Total HK$'000
Segment revenue			
Revenue from external customers	455,315	655	455,970
Segment profit/(loss)	6,424	(329)	6,095
Interest income from banks and convertible promissory note	31	237	268
Imputed interest income from trade and other receivables	1,983	–	1,983
Finance costs	(4,537)	–	(4,537)
Depreciation of property, plant and equipment	(5,155)	–	(5,155)
Depreciation of right-of-use assets	(7,750)	–	(7,750)
Expected credit loss recognised on trade and other receivables, net	(37,673)	–	(37,673)
Impairment loss on intangible assets	–	(858)	(858)
Fair value changes on convertible promissory note	–	1,942	1,942
Gain on disposal of convertible promissory note	–	226	226
Group's loss before tax			(45,459)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit/(loss) represents the adjusted EBITDA i.e. "adjusted earnings before interest, taxes, depreciation and impairment loss on trade and other receivables and non-current assets". This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

For the year ended 31 March 2023

	Total HK$'000
Segment Assets	
Manufacturing and trading of apparel products	262,483
Licensing of trademark	7,303
Total reportable segment assets	269,786
Unallocated assets	31,788
Consolidated total assets	301,574
Segment Liabilities	
Manufacturing and trading of apparel products	247,505
Licensing of trademark	1,004
Total reportable segment liabilities	248,509
Unallocated liabilities	6,062
Consolidated total liabilities	254,571
Amount included in the measure of segment assets	
Additions to non-current assets during the year *(Note)*	1,544

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

For the year ended 31 March 2022

	Total HK$'000
Segment Assets	
Manufacturing and trading of apparel products	272,137
Licensing of trademark	6,748
Total reportable segment assets	278,885
Unallocated assets	45,353
Consolidated total assets	324,238
Segment Liabilities	
Manufacturing and trading of apparel products	294,307
Licensing of trademark	727
Total reportable segment liabilities	295,034
Unallocated liabilities	2,359
Consolidated total liabilities	297,393
Amount included in the measure of segment assets	
Additions to non-current assets during the year *(Note)*	6,327

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments except for deferred tax assets, current tax recoverable and cash and cash equivalents; and
- all liabilities are allocated to operating segments except for deferred tax liabilities.

Note: Additions to non-current assets during the year are attributable to the manufacturing and trading of apparel products.

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

	2023 HK$'000	2022 HK$'000
Hong Kong (place of domicile)	10	71
US	609,905	436,514
Italy	7,624	17,708
UK	106	569
Others *(Note)*	5,788	1,108
	623,433	455,970

Note: Others mainly include Germany, Mexico, 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 intangible assets, is the location to which they are managed.

At 31 March 2023

	Hong Kong HK$'000	PRC HK$'000	Sri Lanka HK$'000	Total HK$'000
Prepaid insurance premium	8,783	–	–	8,783
Property, plant and equipment	8,999	2,183	28,189	39,371
Intangible assets	6,399	–	–	6,399
Right-of-use assets	5,314	3,089	17,670	26,073
Goodwill	3,633	11,130	1,056	15,819
	33,128	16,402	46,915	96,445

6. SEGMENT INFORMATION *(Continued)*

Geographic information *(Continued)*

(ii) *(Continued)*

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

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 2023 and 2022 is as follows:

	2023 HK$'000	2022 HK$'000
Customer A	478,885	321,156

7. REVENUE

Disaggregation of revenue

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

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of garments	622,778	455,315
Licensing and related income	655	655
	623,433	455,970
Revenue from major products and services		
Outerwear	245,423	165,506
Bottoms	269,453	175,695
Tops	37,386	50,699
Others *(Note)*	71,171	64,070
	623,433	455,970
Timing of revenue recognition:		
At a point in time	622,778	455,315
Transferred over time	655	655
	623,433	455,970

Note: Others products mainly include dresses, suits, jumpsuits, sleepwear, 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).

8. OTHER REVENUE

	2023 HK$'000	2022 HK$'000
Bank interest income	173	31
Sample sales income	3,132	3,315
Claims income	1,018	1,189
Government grants *(Note)*	1,591	642
Interest income from convertible promissory note	–	237
Imputed interest income from trade and other receivables	3,782	1,983
Others	959	264
	10,655	7,661

Note: For the year ended 31 March 2023, the Group received grants from the Hong Kong local government amounted to approximately HK$1,391,000 (2022: Nil) under the Employment Support Scheme and from the PRC local government authority amounted to approximately RMB117,000 (equivalent to HK$134,000) (2022: HK$576,000) as subsidies for Group's employee training. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

9. OTHER GAINS AND LOSSES, NET

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

	2023 HK$'000	2022 HK$'000
Impairment loss of intangible assets	(349)	(858)
Gain/(loss) on disposal of property, plant and equipment	40	(366)
Fair value changes on prepaid insurance premium	269	267
Fair value changes on convertible promissory note	–	1,942
Gain on disposal of convertible promissory note	–	226
Exchange gain, net	1,128	2,321
Others	7	166
	1,095	3,698

10. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest on bank borrowings		
– trust receipt loans	**5,813**	2,489
– term and revolving loans	**812**	1,169
Interest expenses on lease liabilities	**441**	533
Finance charges on invoice financing arrangement and others	**4,139**	346
	11,205	4,537

11. PROFIT/(LOSS) BEFORE TAX

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

	2023 HK$'000	2022 HK$'000
Auditor's remuneration	**980**	1,280
Depreciation charges *(Note (i))*:		
– property, plant and equipment	**5,046**	5,155
– right-of-use assets	**4,127**	7,750
Fair value changes on prepaid insurance premium	**(269)**	(267)
Fair value changes on convertible promissory note	**–**	(1,942)
Impairment loss of intangible assets	**349**	858
Gain on disposal of convertible promissory note	**–**	(226)
Expected credit loss recognised on trade and other receivables, net	**2,101**	37,673
Cost of inventories recognised as an expense	**444,488**	320,332
Short-term leases expenses	**672**	168
Employee costs *(Note (ii))*	**87,325**	98,829

Notes:

(i) Depreciation charges of HK$4,479,000 (2022: HK$7,569,000) are included in cost of sales and HK$4,694,000 (2022: HK$5,336,000) are included in general and administrative expenses.

(ii) Employee costs of HK$41,983,000 (2022: HK$53,953,000) are included in cost of sales; HK$15,413,000 (2022: HK$14,297,000) are included in selling and distribution costs; and HK$29,929,000 (2022: HK$30,579,000) are included in general and administrative expenses.

12. EMPLOYEE COSTS

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

	2023 HK$'000	2022 HK$'000
Wages and salaries	73,047	84,292
Short-term non-monetary benefits	7,658	6,051
Contributions to defined contribution retirement plans	6,074	7,986
Contributions to defined benefit retirement plans	546	500
	87,325	98,829

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:

Year ended 31 March 2023

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:					
Ms. Wong Mei Wai Alice *(Chairperson and chief executive officer)*		222	3,930	–	4,152
Mr. Siu Yik Ming		222	1,320	18	1,560
Mr. Chung Sam Kwok Wai		222	2,632	–	2,854
Independent non-executive directors:					
Mr. Chan Kee Huen Michael	(ii)	92	–	–	92
Mr. Choi Wai Hin	(iv)	93	–	–	93
Mr. Tsang Ho Yin	(v)	223	–	–	223
Ms. Zhang Lingling	(vii)	127	–	–	127
		1,201	7,882	18	9,101

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

(i) Directors' emoluments *(Continued)*

Year ended 31 March 2022

	Notes	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:					
Ms. Wong Mei Wai Alice *(Chairperson and chief executive officer)*		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	(ii)	211	–	–	211
Mr. Cheng King Hoi Andrew	(iii)	108	–	–	108
Mr. Tsang Ho Yin	(v)	140	–	–	140
Mr. Ko Ming Tung Edward	(vi)	109	–	–	109
Ms. Zhang Lingling	(vii)	41	–	–	41
		1,453	6,040	27	7,520

Notes:

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

(ii) Mr. Chan Kee Huen Michael retired as independent non-executive director on 31 August 2022.

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

(iv) Mr. Choi Wai Hin was appointed as independent non-executive director on 8 July 2022.

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

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

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

During both years, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director or the chief executive officer waived or agree to waive any remuneration during the year.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive and independent non-executive directors' emoluments shown above were for their services as directors of the Company.

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 (2022: three) directors for the year ended 31 March 2023, whose emoluments were disclosed above. Details of the emoluments for the remaining two (2022: two) highest paid individuals for the year ended 31 March 2023 are as follows:

	2023 HK$'000	2022 HK$'000
Salaries, allowances and benefits in kind	1,952	1,689
Discretionary bonuses	85	80
Retirement benefit scheme contributions	36	36
	2,073	1,805

Their emoluments fell within the following bands:

	Number of Individuals	
	2023	2022
Emolument bands		
Nil–HK$1,000,000	1	1
HK$1,000,001–HK$1,500,000	1	1
	2	2

During the years ended 31 March 2023 and 2022, 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 EXPENSES/(CREDIT)

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

	2023 HK$'000	2022 HK$'000
Hong Kong Profits Tax		
– Current taxation	137	–
– Over provision in respect of prior years	–	(767)
	137	(767)
Deferred tax *(Note 21)*:		
– Current year	2,039	(5,845)
– Attributable to a change in tax rate	2,658	–
Income tax expenses/(credit)	4,697	(6,612)

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 the 16.5% on the estimated assessable profits for both years.

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

The provision for Sri Lanka Corporate Income Tax is based on the statutory rate of 30% (2022: 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 (Amendment) Act No. 45 of 2022 which was effective on 1 October 2022.

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

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

	2023 HK$'000	2022 HK$'000
Profit/(loss) before income tax	24,624	(45,459)
Tax calculated at the profit tax rate of 16.5% applicable to profits	4,063	(7,500)
Effect of different tax rates of subsidiaries operating in other countries	18	(495)
Tax effect of expenses not deductible for tax purposes	3,020	2,470
Tax effect of income not taxable for tax purposes	(947)	(641)
Over-provision in respect of prior years	–	(767)
Tax effect of temporary difference not recognised	199	500
Tax effect of tax losses not recognised	–	1,641
Utilisation of tax losses previously not recognised	(4,314)	(1,820)
Increase in opening deferred tax balances resulting from an increase in applicable tax rate *(Note 21)*	2,658	–
Income tax expenses/(credit)	4,697	(6,612)

15. EARNINGS/(LOSS) PER SHARE

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

	2023 HK$'000	2022 HK$'000
Profit/(loss)		
Profit/(loss) for the year attributable to owners of the Company	19,927	(38,847)

	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of calculations of basic earnings/loss per share	213,333	200,000

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2023 has been adjusted for the share placement on 5 December 2022.

Diluted earnings/loss per share was the same as basic earnings/loss per share as the Company did not have any dilutive potential ordinary shares in issue for both 2023 and 2022.

16. DIVIDEND

The Board of directors does not recommend the payment of final dividend for the years ended 31 March 2023 and 2022.

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 28).

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

The fair value gain of HK$269,000 (2022: HK$267,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2023.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvement HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost									
At 1 April 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)
At 31 March 2022 and 1 April 2022	31,837	21,771	41,545	3,708	3,208	4,738	1,224	156	108,187
Additions	140	399	206	296	20	351	–	28	1,440
Disposals/written off	–	–	(450)	(8)	(7)	(39)	–	(128)	(632)
Exchange realignment	(337)	(68)	(466)	(50)	(18)	(168)	(92)	(56)	(1,255)
As at 31 March 2023	31,640	22,102	40,835	3,946	3,203	4,882	1,132	–	107,740
Accumulated depreciation									
At 1 April 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)
At 31 March 2022 and 1 April 2022	6,541	17,807	30,584	2,967	1,624	3,721	1,107	–	64,351
Depreciation	1,037	1,283	1,937	149	222	408	10	–	5,046
Eliminated on disposals/ written-off	–	–	(434)	(1)	(4)	(22)	–	–	(461)
Exchange realignment	(51)	(7)	(275)	(33)	(3)	(124)	(74)	–	(567)
At 31 March 2023	7,527	19,083	31,812	3,082	1,839	3,983	1,043	–	68,369
Carrying values									
At 31 March 2023	**24,113**	**3,019**	**9,023**	**864**	**1,364**	**899**	**89**	**–**	**39,371**
At 31 March 2022	25,296	3,964	10,961	741	1,584	1,017	117	156	43,836

19. INTANGIBLE ASSETS

	Trademark HK$'000
Cost	
At 1 April 2021, 31 March 2022, 1 April 2022 and 31 March 2023	10,850
Accumulated impairment	
At 1 April 2021	3,244
Impairment loss recognised in the year	858
At 31 March 2022 and 1 April 2022	4,102
Impairment loss recognised in the year	349
At 31 March 2023	4,451
Carrying values	
At 31 March 2023	**6,399**
At 31 March 2022	6,748

The Group's intangible assets represent the J. Peterman trademark that services J. Peterman worldwide operations and is separately identifiable. The trademark is considered by the management of the Group as having an indefinite useful life because it is renewable at minimal cost and is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

Impairment testing on intangible assets with indefinite useful life

The recoverable amount of trademark with indefinite useful lives with carrying amount of approximately HK$6,399,000 (2022: HK$6,748,000), within the licensing of trademark segments, is estimated individually.

The recoverable amount of the trademark with indefinite useful life has been 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 16.5% (2022: 19.5%). 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 2023, an impairment loss of approximately HK$349,000 (2022: HK$858,000) was recognised in respect of the trademark.

20. LEASES

Right-of-use assets

	Leasehold land HK$'000	Properties HK$'000	Total HK$'000
Cost			
At 1 April 2021	25,086	25,042	50,128
Additions	–	3,586	3,586
Effect of modification to lease terms	–	2,940	2,940
Expiration of lease agreement	–	(13,421)	(13,421)
Exchange realignment	–	470	470
At 31 March 2022	**25,086**	**18,617**	**43,703**
Additions	**–**	**104**	**104**
Expiration of lease agreement	**–**	**(10,754)**	**(10,754)**
Exchange realignment	**–**	**(427)**	**(427)**
At 31 March 2023	**25,086**	**7,540**	**32,626**
Accumulated depreciation			
At 1 April 2021	2,837	16,276	19,113
Depreciation charge	580	7,170	7,750
Expiration of lease agreement	–	(13,421)	(13,421)
Exchange realignment	–	(153)	(153)
At 31 March 2022	**3,417**	**9,872**	**13,289**
Depreciation charge	**579**	**3,548**	**4,127**
Expiration of lease agreement	**–**	**(10,754)**	**(10,754)**
Exchange realignment	**–**	**(109)**	**(109)**
At 31 March 2023	**3,996**	**2,557**	**6,553**
Carrying values			
At 31 March 2022	21,669	8,745	30,414
At 31 March 2023	**21,090**	**4,983**	**26,073**

20. LEASES *(Continued)*

Right-of-use assets *(Continued)*

For both years, the Group leases various offices and warehouses for its operations. Lease contracts are initially entered into for fixed term of 1 year to 50 years (2022: 1 year to 50 years). Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

	2023 **HK$'000**	2022 HK$'000
Expense relating to short-term leases	**672**	168
Total cash outflow for lease liabilities	**4,532**	8,122

The Group regularly entered into short-term leases for properties and motor vehicles. At 31 March 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

20. LEASES *(Continued)*

Lease liabilities

	At 31 March 2023 HK$'000	At 31 March 2022 HK$'000
Lease liabilities payable:		
Within one year	1,045	3,465
Within a period of more than one year but not exceeding two years	1,073	1,090
Within a period of more than two years but not exceeding five years	1,287	2,489
Within a period of more than five years	2,023	2,031
	5,428	9,075
Less: Amount due for settlement with 12 months shown under current liabilities	(1,045)	(3,465)
Amount due for settlement after 12 months shown under non-current liabilities	4,383	5,610

The weighted average incremental borrowing rates applied to lease liabilities range from 3.77% to 8.63% (2022: from 3.77% to 8.63%).

21. DEFERRED TAX

The following are the major deferred tax liabilities and (assets) recognised and movements thereon 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
At 1 April 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)
At 31 March 2022 and 1 April 2022	2,200	(10,088)	2,125	(2,245)	(1,414)	(9,422)
Charged/(credited) to profit or loss	(3,996)	(334)	758	4,194	1,414	2,036
Effect of change in tax rate *(Note 14)*	2,805	–	2,419	(2,566)	–	2,658
Exchange realignment	15	–	–	–	–	15
At 31 March 2023	1,024	(10,422)	5,302	(617)	–	4,713

At the end of the reporting period, the Group had unused tax losses of approximately HK$41,088,000 (2022: HK$72,516,000) available for offset against future profits. No deferred tax asset has been recognised in respect of all (2022: deferred tax of HK$8,567,000 was recognised while remaining tax losses of HK$63,949,000 was not) of the tax losses due to the unpredictability of future profit streams. All tax losses can be carried forward indefinitely.

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 HK$'000	2022 HK$'000
Deferred tax assets	(10,775)	(11,781)
Deferred tax liabilities	6,062	2,359
	(4,713)	(9,422)

22. GOODWILL

	2023 HK$'000	2022 HK$'000
At the beginning of the year	16,824	18,122
Exchange realignment	(1,005)	(1,298)
At the end of the year	15,819	16,824

Impairment testing on goodwill

For the purpose of impairment testing, goodwill arising from the business combinations has been allocated to the appropriate cash-generating unit ("CGU") of the Group in the manufacturing and trading of apparel products segment. The recoverable amount of this CGU has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period (2022: 5-year), and pre-tax discount rate of 12.4% (2022: 13.8%). The CGU's cash flows beyond the 5-year period (2022: 5-year) are extrapolated using a steady 2% growth rate (2022: 3%). The growth rate does not exceed the average long-term growth rate for the manufacturing and trading of apparel products business in which the CGU operates. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted gross margin of 17% (2022: 16%) and average revenue growth rate of 3% (2022: 6%), such estimation is based on the CGU's past performance and management's expectation for the market development.

During the year ended 31 March 2023 and 31 March 2022, management of the Group determined that there is no impairment on the CGU. Management believes that any reasonably possible change in any of these assumptions would not result in impairment.

23. INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials and consumables	44,061	29,464
Work-in-progress	2,321	3,334
Finished goods	6,443	7,226
	52,825	40,024

24. TRADE AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables at amortised cost	147,223	103,278
Less: Loss allowances on trade receivables	(48,917)	(43,467)
Trade receivables at amortised cost, net (a)	98,306	59,811
Trade receivables at fair value through profit or loss (b)	–	64,500
Trade receivables – contracts with customers	98,306	124,311
Prepayments	2,589	4,128
Other receivables *(Note (i))*	30,541	20,891
Utilities and sundry deposits	724	844
	33,854	25,863
Less: Loss allowances on other receivables *(Note (ii))*	(14,300)	(17,649)
	19,554	8,214
Trade and other receivables	117,860	132,525
Non-current	–	2,706
Current	117,860	129,819
	117,860	132,525

Note:

(i) Included in other receivables are amounts due from non-related companies of approximately US$3,744,000 (equivalent to HK$29,200,000) (2022: approximately HK$20,355,000) which are customers of the Group which have good business relationship with the Group at 31 March 2023 and 2022.

(ii) Loss allowance for ECL of approximately HK$14,300,000 (2022: approximately HK$17,649,000) has been recognised for other receivables under ECL model at 31 March 2023.

The amounts are unsecured interest-free and recoverable on demand.

24. TRADE AND OTHER RECEIVABLES *(Continued)*

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

	2023 HK$'000	2022 HK$'000
0–30 days	64,889	5,983
31–90 days	2,684	16,313
91–180 days	6,533	11,198
181–365 days	20,641	14,077
Over 365 days	52,476	55,707
	147,223	103,278
Less: Loss allowances on trade receivables	(48,917)	(43,467)
	98,306	59,811

The credit period granted to the above trade debtors ranges 0–90 days from the invoice dates. Further details on the Group's credit policy and credit risk management are set out in Note 36(b)(ii).

(b) The Group entered into trade receivables invoice financing arrangement without recourse and transferred certain trade receivables to a bank at the end of the year as follows:

	2023 HK$'000	2022 HK$'000
Trade receivables at fair value through profit or loss	–	64,500

It represented trade receivables which were subject to invoice financing arrangement without recourse with a specific bank. Under this arrangement, the Group would transfer the relevant receivables to the bank in exchange for cash.

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

24. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) *(Continued)*

The Group was also exposed to credit risk in relation to these trade receivables. The maximum exposure at the end of reporting period was Nil (2022: HK$64,500,000).

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

	2023 HK$'000	2022 HK$'000
0–30 days	–	33,787
31–90 days	–	30,713
	–	64,500

The credit period granted to the above trade debtors was 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, as follows:

	2023 HK$'000	2022 HK$'000
Current	–	64,470
Less than 1 month past due	–	30
	–	64,500

25. 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 approximately HK$2,840,000 (2022: approximately HK$3,381,000) of bank balances denominated in Renminbi ("RMB") placed with the banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

26. TRADE, BILLS AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	23,349	41,606
Bills payables	60,949	42,288
Other payables and accruals	10,834	15,842
	95,132	99,736

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

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

	2023 HK$'000	2022 HK$'000
0–30 days	19,710	18,296
31–90 days	1,566	20,915
91–365 days	1,045	1,497
Over 365 days	1,028	898
	23,349	41,606

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.

27. AMOUNTS DUE FROM/(TO) RELATED PARTIES

	2023 HK$'000	Maximum balance outstanding HK$'000	2022 HK$'000	Maximum balance outstanding HK$'000
Amounts due from related parties				
Win 20 Limited ("Win 20")	–	1	1	18
Winfield Group Limited ("Winfield")	2,656	2,656	–	90
	2,656		1	
Amounts due to related parties				
Win 18 Limited ("Win 18")	–		(1,118)	
Win 19 Limited ("Win 19")	–		(846)	
Winfield Group Limited ("Winfield")	–		(1,337)	
	–		(3,301)	

27. 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.

28. BANK BORROWINGS

	2023 HK$'000	2022 HK$'000
Interest bearing		
– trust receipt loans, secured	134,762	124,973
– term and revolving loans, secured	10,831	36,890
	145,593	161,863

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 held by 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 2023 and 2022. The carrying amount of the assets of the Group pledged is as follows:

	2023 HK$'000	2022 HK$'000
Prepaid insurance premium *(Note 17)*	8,783	8,513

28. BANK BORROWINGS *(Continued)*

Notes: (Continued)

(c) As at 31 March 2022, the bank borrowings included bank loans of HK$480,000 that were not scheduled to repay within one year. The balances as at 31 March 2022 were 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 was classified as a current liability was expected to be settled within one year.

As at 31 March 2023, all bank borrowings were scheduled to be repaid within one year.

Total current bank borrowings were scheduled to be repaid as follows:

	2023 HK$'000	2022 HK$'000
On demand or within one year	145,593	161,383
More than one year, but not exceeding two years	–	480
	145,593	161,863

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 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 is 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 36(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 the date of commencement of interests becoming chargeable, on the Group's bank loans are as follows:

	2023	2022
Effective interest rates:		
Bank loans	1.70%–7.70% per annum	0.51%–3.26% per annum

29. 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. The loans from a shareholder were fully repaid during the year and the Group has reversed deemed contribution of HK$1,713,000 recognised in prior year.

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

The 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:

	2023 HK$'000	2022 HK$'000
Present value of defined benefit obligation – gratuity	2,219	2,072

The principal actuarial assumptions used for the valuation included a long-term rate of investment return net of salary increment of 15% per annum (2022: 10%), 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 be related to future services rendered and future changes in actuarial assumptions and market conditions.

30. DEFINED BENEFIT OBLIGATION *(Continued)*

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

	2023 HK$'000	2022 HK$'000
Amounts recognised in profit or loss:		
– Current service cost	265	242

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

	2023 HK$'000	2022 HK$'000
At beginning of the year	2,072	2,907
Service cost	265	242
Interest cost	281	258
Actuarial gain from remeasurement	(56)	(956)
Exchange difference	(152)	22
Benefits paid	(191)	(401)
At end of the year	2,219	2,072

The weighted average duration of the defined benefit obligation is 6.7 years (2022: 6.9 years).

30. DEFINED BENEFIT OBLIGATION *(Continued)*

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

	2023	2022
Discount rate	15%	9%
Future salary increases	12%	12%

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:

	2023 HK$'000	2022 HK$'000
If increase by 1% in:		
Discount rate	124	134
Future salary increases	(134)	(135)
If decrease by 1% in:		
Discount rate	(124)	(134)
Future salary increases	134	135

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.

31. SHARE CAPITAL

	Number of shares	Nominal value of ordinary shares HK$'000
Authorised		
At 1 April 2021	10,000,000,000	100,000
Share consolidation *(Note (a))*	(7,500,000,000)	–
At 31 March 2022, 1 April 2022 and 31 March 2023	2,500,000,000	100,000
Issued and fully paid		
At 1 April 2020 and 31 March 2021	800,000,000	8,000
Share consolidation *(Note (a))*	(600,000,000)	–
At 31 March 2022 and 1 April 2022	200,000,000	8,000
Share placement *(Note (b))*	40,000,000	1,600
At 31 March 2023	240,000,000	9,600

Notes:

(a) 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 were set out in the Company's announcements dated 3 June 2021, 2 July 2021 and circular of the Company dated 11 June 2021.

(b) On 26 October 2022, arrangements were made for a private placement to independent private investors of 40,000,000 ordinary shares of HK$0.12 each in the Group representing a premium of approximately 8.1% to the closing market price of the Group's ordinary shares on 26 October 2022.

Pursuant to a subscription agreement of the same date, independent private investors subscribed for 40,000,000 new ordinary shares of HK$0.12 each in the Group at a price of HK$0.12 per ordinary share. The proceeds were used for the business operations of the Group and provide working capital to the Group to lower bank borrowing and meet any other financial obligations. These new shares were issued under the general mandate granted to the directors of the Group at the annual general meeting of the Group held on 31 August 2022 and rank pari passu with other shares in issue in all respects.

32. RESERVES

(a) The Group

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

(b) The Company

	Share premium HK$'000	Capital reserve HK$'000	Contributed reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2021	66,541	34,000	55,354	(114,167)	41,728
Loss and total comprehensive expenses 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 and 1 April 2022	66,541	47,413	55,354	(164,819)	4,489
Loss and total comprehensive expenses for the year, net of tax	–	–	–	(3,566)	(3,566)
Reversal of deemed capital contribution arising from shareholder's loan	–	(1,713)	–	–	(1,713)
Share placement	3,200	–	–	–	3,200
At 31 March 2023	69,741	45,700	55,354	(168,385)	2,410

32. 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 reporting period.

33. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	At 31 March 2023 HK$'000	At 31 March 2022 HK$'000
Non-current assets			
Investments in subsidiaries	34	12,122	12,122
Amounts due from subsidiaries		–	19,478
Total non-current assets		12,122	31,600
Current assets			
Cash and bank balances		150	207
Current liabilities			
Other payables		(262)	(331)
Net current liabilities		(112)	(124)
Total assets less current liabilities		12,010	31,476
Non-current liabilities			
Amounts due to shareholders		–	(18,987)
NET ASSETS		12,010	12,489
CAPITAL AND RESERVES			
Share capital	31	9,600	8,000
Share premium	32(b)	69,741	66,541
Reserves	32(b)	(67,331)	(62,052)
TOTAL EQUITY		12,010	12,489

34. INVESTMENTS IN SUBSIDIARIES

The Company

	At 31 March 2023 HK$'000	At 31 March 2022 HK$'000
Unlisted investment, at cost	61,354	61,354
Less: Impairment	(49,232)	(49,232)
	12,122	12,122

Details of the principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiary	Place and date of incorporation/ establishment and form of business structure	Percentage of equity attributable to the Company 2023	Percentage of equity attributable to the Company 2022	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
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
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

34. 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 2023	2022	Issued and fully paid ordinary share capital or registered capital	Principal activities and principal place of business
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%	Registered and fully paid capital US$1,000	Dormant (deregistration during the year)

35. RELATED AND CONNECTED PARTIES DISCLOSURES

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, 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

Name of related parties	Nature of transactions	2023 HK$'000	2022 HK$'000
Kam Li Fashion Factory	Motor vehicle rental expenses	38	–

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

(ii) Key management personnel compensation

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

(iii) Outstanding balances with related parties

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

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

(iv) Connected parties transactions

Name of related parties	Nature of transactions	2023 HK$'000	2022 HK$'000
Win 18	Rental expense	1,510	1,500
Win 19	Rental expense	1,510	1,500

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	2023 HK$'000	2022 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
– Trade receivable at fair value through profit or loss	–	64,500
Financial assets at amortised cost		
– Trade and other receivables	115,271	63,897
– Amounts due from related parties	2,656	1
– Cash and cash equivalents	20,851	33,391
	138,778	161,789
Financial liabilities		
At amortised cost		
– Trade, bills and other payables	95,132	99,736
– Amounts due to related parties	–	3,301
– Loans from a shareholder	–	18,987
– Bank borrowings	145,593	161,863
– Lease liabilities	5,428	9,075
	246,153	292,962

36. FINANCIAL INSTRUMENTS *(Continued)*

(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 borrowings, loans from a shareholder 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.

(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 borrowings 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**	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
RMB	**(1)**	–	**179**	1
EUR	**(8)**	29	**14**	1
LKR	**–**	–	**–**	75

36. 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 profit before tax (2022: loss before tax for the year and other equity) for the year and other 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 profit before tax (2022: decrease in loss before tax) where the HKD weakens 5% (2022: 5%) against the relevant currency. For a 5% (2022: 5%) strengthening of the HKD against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Increase/ (decrease) in profit before tax for the year HK$'000
As at 31 March 2023	
RMB	**9/(9)**
EUR	**1/(1)**
LKR	**–**

	(Increase)/ decrease in loss before tax for the year HK$'000
As at 31 March 2022	
RMB	–
EUR	(1)/1
LKR	4/(4)

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.

36. 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, amount due from related parties 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 2023 and 2022, 38.5% and 38.6%, respectively, of the total trade receivables were due from the Group's largest customer; and 96.5% and 97.9%, 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. Trade receivables relating to certain of its customers with known financial difficulties or customers with significant long-aged trade receivables balance in proportion to their respective total balance are assessed individually for provision of impairment allowance. Expected credit losses are also estimated by grouping the remaining trade receivables based on days past due for grouping of various customer segments sharing similar credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the trade receivables.

In developing the loss allowance, the expected credit loss rates of trade receivables assessed individually are determined based on corresponding external default data of the customers, their repayment and default histories and on-going business relationship with them. For trade receivables assessed collectively, the expected credit loss rates are determined based on historical credit losses experienced. The loss rates are then adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the customers to settle the trade receivables.

36. 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 with significant outstanding balances or credit impaired were assessed individually. As at 31 March 2023, the balances of such individually assessed trade receivables relating to customers with significant outstanding balances are HK$96,635,000 (2022: HK$78,920,000) and the loss allowance in respect of these receivables are HK$45,568,000 (2022: HK$42,387,000).

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 2023 and 2022:

As at 31 March 2023

	Expected loss rate (%)	Gross carrying amount HK$'000	Loss allowance HK$'000
Current	3.37%	21,628	729
Less than 1 month past due	3.37%	12,092	408
More than 1 month but less than 3 months past due	4.29%	2,178	93
More than 3 months but less than 6 months past due	6.84%	4,489	307
More than 6 months but less than 12 months past due	17.77%	10,201	1,812
		50,588	3,349

36. 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 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
		24,358	1,080

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.

36. FINANCIAL INSTRUMENTS *(Continued)*

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

(ii) Credit risk *(Continued)*

(i) Trade and other receivables (Continued)

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

	HK$'000
At 1 April 2021	16,920
Expected credit loss on trade receivables recognised during the year	26,547
At 31 March 2022 and 1 April 2022	**43,467**
Expected credit loss on trade receivables recognised during the year	**5,450**
At 31 March 2023	**48,917**

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 is as follows:

	HK$'000
At 1 April 2021	6,523
Expected credit loss on other receivables recognised during the year	11,126
At 31 March 2022 and 1 April 2022	**17,649**
Expected credit loss on other receivables reversed during the year	**(3,349)**
At 31 March 2023	**14,300**

(ii) Amount due from related parties

The Group regularly monitors the business performance of the related parties. The Group's credit risks in these balances are mitigated through the value of the assets held by these entities. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on twelve months ECL.

(iii) 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.

36. 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	Total contractual undiscounted cash flows	Within 1 year or on demand	Within 2 years to 5 years	Over 5 years
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 March 2023						
Trade, bills and other payables	N/A	95,132	95,132	95,132	–	–
Bank borrowings:						
Trust receipt loans	6.6057%	134,762	143,662	143,662	–	–
Bank borrowings:						
Term and revolving loans	1.7% to 7.7%	10,831	11,017	11,017	–	–
Lease liabilities	5.39%	5,428	11,688	1,386	3,214	7,088
		246,153	261,499	251,197	3,214	7,088
At 31 March 2022						
Trade, bills and other payables	N/A	99,736	99,736	99,736	–	–
Loans 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	304,474	271,882	25,322	7,270

36. 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.

	2023 **HK$'000**	2022 HK$'000
Term and revolving loans subject to repayment on demand clause based on scheduled repayments		
Carrying amount	**10,831**	36,890
Within three months	**10,783**	31,754
More than three months but less than one year	**234**	4,312
More than one year but less than five years	**–**	1,001
Total contractual undiscounted cash flow	**11,017**	37,067

36. 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.

	2023		2022	
	Effective interest rate (%)	HK$'000	Effective interest rate (%)	HK$'000
Floating rate bank borrowings				
Bank borrowings: Trust receipt loans	6.6057%	134,762	2.3397%	124,973
Bank borrowings: Term and revolving loans	1.7% to 7.7%	10,831	0.51% to 3.256%	36,890
Total net bank borrowings		145,593		161,863

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 decreased/increased the Group's profit after tax and accumulated losses by approximately HK$1,215,700 (2022: increased/decreased the Group's loss after tax and accumulated losses by approximately HK$1,618,630).

The sensitivity analysis above indicates the impact on the Group's results 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.

36. FINANCIAL INSTRUMENTS *(Continued)*

(c) Capital risk management

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

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

The Group monitors capital using a debt to capital ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as trade, bills and other payables, bank borrowings, lease liabilities, 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.

	2023 HK$'000	2022 HK$'000
Total debt	246,153	292,962
Less: Cash and cash equivalents	(20,851)	(33,391)
Net debt	225,302	259,571
Equity attributable to the owners of the Company	47,003	26,845
Net debt and equity	272,305	286,416
Debt to capital ratio	82.74%	90.63%

36. 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
At 31 March 2023				
Prepaid insurance premium	**–**	**8,783**	**–**	**8,783**
At 31 March 2022				
Prepaid insurance premium	–	8,513	–	8,513
Trade receivables at fair value through profit or loss	–	64,500	–	64,500

There were no transfers between levels during the year.

37. 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' loans HK$'000	Amount due to related companies HK$'000
At 1 April 2022	161,863	9,075	18,987	3,301
Changes from financing cash flows:				
– Proceeds from bank borrowings	713,875	–	–	–
– Repayment of bank borrowings	(730,145)	–	–	–
– Repayment of principal portion of lease liabilities	–	(3,419)	–	–
– Repayment of interest portion of lease liabilities	–	(441)	–	–
– Interest paid	(6,625)	–	–	–
– Cash repaid to a shareholder	–	–	(20,700)	–
– Cash repaid to related companies	–	–	–	(3,301)
Total changes from financing cash flow	(22,895)	(3,860)	(20,700)	(3,301)
Exchange adjustments:	–	(333)	–	–
Other changes:				
– Lease addition	–	105	–	–
– Interest incurred for the year	6,625	441	–	–
– Reversal of deemed capital contribution arising from shareholder's loan	–	–	1,713	–
	6,625	213	1,713	–
At 31 March 2023	145,593	5,428	–	–

37. 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 a shareholder	–	–	32,400	–
– Cash advances from related companies	–	–	–	2,559
Total changes from financing cash flow	(78,817)	(7,954)	32,400	2,559
Other changes:				
– Lease addition/modification	–	6,950	–	–
– Interest incurred for the year	3,658	533	–	–
– Deemed capital contribution arising from shareholders' loan	–	–	(13,413)	–
	3,658	7,483	(13,413)	–
At 31 March 2022	161,863	9,075	18,987	3,301

Five-year Financial Summary

RESULTS

	Year ended 31 March				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023 HK$'000**
Turnover	641,733	590,873	371,276	455,970	**623,433**
(Loss) Profit for the year	(22,670)	(58,638)	(33,253)	(38,847)	**19,927**
Attributable to:					
Owners of the Company	(22,670)	(58,638)	(33,253)	(38,847)	**19,927**
Non-controlling interests	–	–	–	–	**–**
	(22,670)	(58,638)	(33,253)	(38,847)	**19,927**

ASSETS AND LIABILITIES

	At 31 March				
	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023 HK$'000**
Total assets	385,633	373,517	384,578	324,238	**301,574**
Total liabilities	270,089	316,825	327,575	297,393	**254,571**
	115,544	56,692	57,003	26,845	**47,003**
Equity attributable to owners of the Company	115,544	56,692	57,003	26,845	**47,003**
Non-controlling interests	–	–	–	–	**–**
	115,544	56,692	57,003	26,845	**47,003**