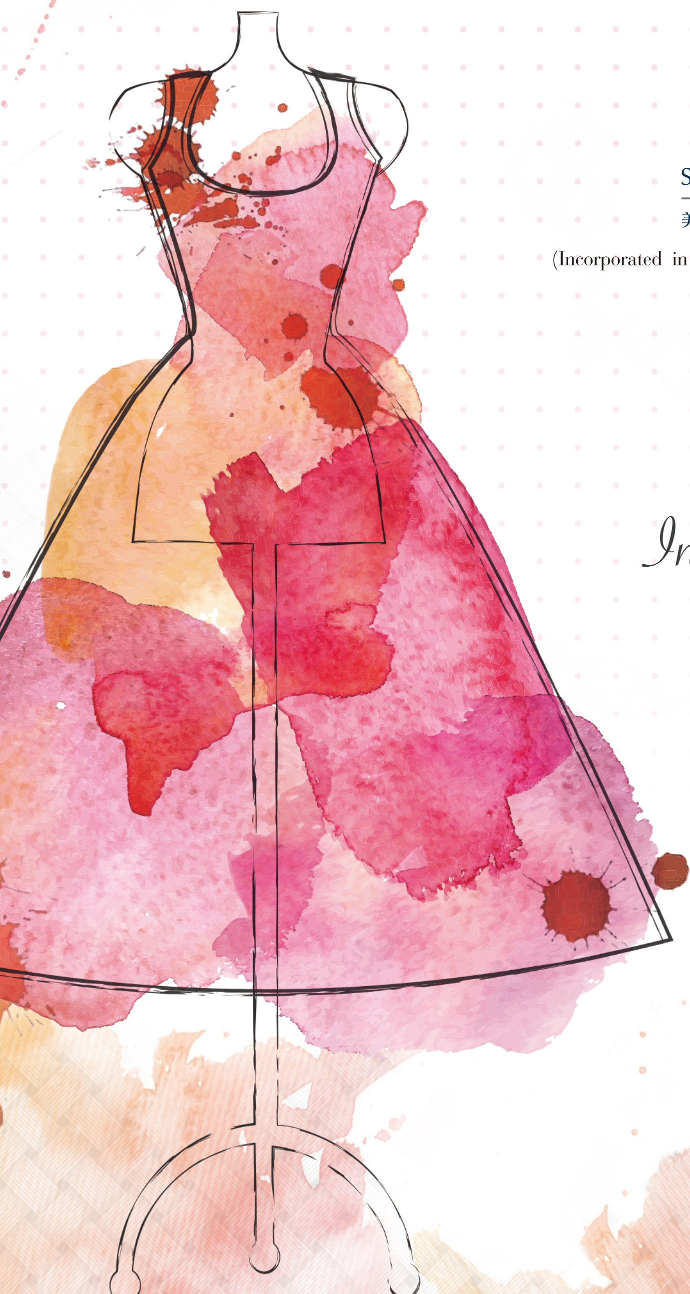

STERLING GROUP
HOLDINGS LIMITED
美臻集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1825

Interim Report 2019

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Choi Siu Wai William *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Ms. Chan Yuet Kwai

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Chung Sam Kwok Wai
Mr. Siu Yik Ming

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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COMPANY WEBSITE

http://www.sterlingapparel.com.hk

AUDITORS

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Certified Public Accountants
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111 Connaught Road Central
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COMPLIANCE ADVISOR

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Two Chinachem Plaza
135 Des Voeux Road
Central
Hong Kong

LEGAL ADVISOR

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

STOCK CODE

01825

PRINCIPAL BANKS

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

Hang Seng Bank
83 Des Voeux Road
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Tricor Services (Cayman Islands) Limited
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Willow House
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Grand Cayman KY1-1001
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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

FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**315,157**	357,666
Gross profit	**51,324**	59,165
Gross profit margin	**16.3%**	16.5%
Profit before income tax expense	**1,103**	4,408
Profit attributable to owners of the Company	**1,151**	3,118
EARNINGS PER SHARE		
– Basic (HK cents)	**0.14**	0.52
EBITDA*	**15,523**	14,630
	2019	2018
	(Unaudited)	(Unaudited)
Net profit margin	**0.4%**	0.9%
Return on total assets	**0.2%**	0.8%
Return on equity	**1.0%**	2.7%
Interest coverage ratio	**1.2 times**	2.1 times

	At 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Total assets	**499,400**	385,633
Net assets	**116,265**	115,544
Cash and cash equivalents	**78,558**	75,687
Current ratio	**1.0 times**	1.1 times
Quick ratio	**0.8 times**	0.9 times
Gearing ratio	**242.7%**	164.8%
Debt-to-equity ratio	**175.1%**	99.3%

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND BUSINESS REVIEW

During the six months ended 30 September 2019 (the "Period Under Review"), the Group's revenue decreased by HK$42,509,000, approximately 11.9%, to approximately HK$315,157,000 from approximately HK$357,666,000 for the six months ended 30 September 2018. The lower sales revenue in the first half of 2019 was partly seasonal due to different product mix, and partly as a result of the Company not making lower-priced products in our own factories. The decrease in gross profit of approximately HK$7,841,000 from a lower sales volume was significantly offset by the increase in other gains of approximately HK$1,493,000 and net decrease in expenses including selling and distribution costs, general and administrative expenses, listing expenses and finance costs of approximately HK$3,604,000. On an after tax basis, the net profit was lower by approximately HK$1,967,000 which already reflected a charge of approximately HK$2,855,000 to the gross profit because the Company decided to share on an ad hoc basis a portion of the import tariffs with the customer on orders that were already in production and were caught by the additional 15% increase in import tariffs for woven apparels that entered the U.S. Customs on or after 1 September 2019.

The profit attributable to owners of the Company for the Period Under Review amounted to approximately HK$1,151,000 (2018: approximately HK$3,118,000), and the EBITDA of the Company for the same period was approximately HK$15,523,000 (2018: HK$14,630,000).

The Group recorded other gain of approximately HK$1,144,000 resulting from fair value changes in the convertible promissory note. Details of the purchase of convertible promissory note transaction can be found in the Company's announcement on 14 July 2019.

Sales by Product Categories

The Group's apparel products can generally be divided into four categories, namely (i) outerwear (include mainly jackets, coats and blazers and are chiefly made from wool and wool blend), (ii) bottoms (include pants, shorts and skirts, and are chiefly made from cotton, wool and wool blend), (iii) tops include mainly shirts, blouses and tank tops, and are chiefly made from cotton, polyester, triacetate and lyocell and (iv) other products (mainly dresses, suits, gown, scarf, jumpsuits and vests, and are chiefly made of cotton, wool and wool blend). During Period Under Review, the sales volume of the Group amounted to approximately 1,363,900 pieces of finished apparel products (2018: approximately 1,900,000 pieces). The decrease in sale volume is mainly attributable to the decrease in sale volume of bottom, outwear and other products. The sale volume of bottoms, outerwear, top and other products were approximately 618,300 pieces, 516,800 pieces, 82,800 pieces and 146,000 pieces respectively for the Period Under Review and approximately 992,000 pieces, 534,000 pieces, 58,000 pieces and 316,000 pieces respectively for the six months ended 30 September 2018. The average selling price of the products for the Period Under Review was approximately HK$231 per piece of finished apparel products (2018: approximately HK$188 per piece). The average selling price per piece of bottoms, outerwear, tops and other products amounted to approximately HK$153, HK$324, HK$222 and HK$237 respectively for the Period Under Review, and approximately HK$108, HK$344, HK$159 and HK$181 respectively for the six months ended 30 September 2018.

Selling and Distribution Costs

Selling and Distribution Costs for the Period Under Review amounted to approximately HK$17,112,000, representing a decrease of approximately 19.7% from approximately HK$21,312,000 for the six months ended 30 September 2018. It was in line with the decrease in turnover.

General and Administrative Expenses

General and administrative expenses for the Period Under Review increased by 17.1% from approximately HK$28,302,000 for the six months ended 30 September 2018 to approximately HK$33,128,000 for the Period Under Review. The increase was mainly attributable to director fees and annual salary increment and the increase in salary and wages in Sri Lanka factories which were undergoing expansion.

Finance Costs

Finance costs increased by approximately 18.3% to approximately HK$4,907,000 from approximately HK$4,147,000 for the six months ended 30 September 2018. It was mainly due to the increase in the interest rates and increase in the amount of trust receipt loan during the Period Under Review.

Financial Position

As at 30 September 2019, the Group's cash and cash equivalents amounted to approximately HK$78,558,000 (31 March 2019: approximately HK$75,687,000).

Inventories increased by approximately HK$22,295,000 to approximately HK$59,389,000 as at 30 September 2019. It was mainly attributable to the increase in raw material by approximately HK$20,252,000 to approximately HK$52,584,000 as at 30 September 2019 (31 March 2019: approximately HK$32,332,000) , which was in line with the expected sales orders, largely from airlines uniform, to be delivered in the second half of the year ended 31 March 2020.

Trade and other receivables increased by approximately HK$54,552,000 to approximately HK$224,250,000 (31 March 2019: approximately HK$169,698,000). It was mainly due to the seasonal effect, i.e. much higher sales recorded in August and September 2019 than February and March 2019.

Bank borrowings increased by approximately 48.2% to approximately HK$282,143,000 (31 March 2019: approximately HK$190,443,000). It was mainly attributable to the increase in inventories and trade receivables and also utilization of US$1.4 million loan for the acquisition of intellectual property from JP Outfitters, LLC, an independent third party, during the Period Under Review.

At 30 September, 2019, the net current liabilities amounted to approximately HK$4,495,000 (31 March 2019: net assets approximately HK$18,068,000). The current liability included (1) bank borrowing of approximately HK$21,783,000 as at 30 September 2019 (31 March 2019: approximately HK$23,739,000) that are not scheduled to repay within one year with maturities ranging from one year to three years but it is classified as current liability only because of the repayment on demand clause as stipulated in the relevant loan agreements; (2) additional approximately HK$9,247,000 in the current portion of lease liabilities from the adoption of HKFRS 16 for the first time in the current period as shown in note 15 to the condensed consolidated financial statements.

PROSPECTS

In the second half of 2019 ending 31 March 2020, we are reasonably confident that the Company will see an improvement in operating results.

Looking further ahead, the trade war between China and United States intensified during the year 2019, culminating in the levy of an additional 15% import tariffs on the balance of China exports that included the Company's woven apparels destined for the U.S. market but were previously unaffected by prior rounds of tariff increase. The immediate fallout of that is the pressure from our U.S. customers for the Company to share the financial impact of the additional tariffs. However, within a couple of months after the additional tariffs became effective (i.e. 1 September 2019), it became apparent that opportunities were opening up as companies previously sourcing their apparel production from China are eagerly seeking alternatives. Sterling Group with our established manufacturing base outside of China, namely Sri Lanka and the Philippines, has seen its share of enquiries. As at the date of this report, we are engaged with five companies (not all of which may become the Company's customers) looking for production outside of China. In addition, we have also added one new customer who still strongly prefers China workmanship and is prepared to bear any and all tariffs by themselves. In the ongoing trade negotiations, there are indications that this last round of 15% additional tariff may possibly be removed. Even if and when that comes to pass, it will likely mean more flexibility in the choice of Country of Origin for the apparel buyers instead of a reversal of the offshoring trend from China production. While we are focused and committed in strengthening the relationships with all our existing customers, we are optimistic that the changing trade flow as a result of the economic tensions between China and United States may indeed be an opportunity for the Company to meaningfully diversify its customer base.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The Company manages its capital structure with the objectives of ensuring that the businesses of the Group can continue to maintain a sustainable growth and providing a long term reasonable return to its Shareholders. The Group's financial position remained healthy and stable. The Group generally finances its operations primarily through bank borrowings and internal resources. It is anticipated that the Group has sufficient working capital to fund its future working capital, capital expenditure and other cash requirements. As at 30 September 2019, the Group had cash and bank balances amounting to approximately HK$78,558,000 (as at 31 March 2019: approximately HK$75,687,000), and current assets and current liabilities of approximately HK$367,038,000 (as at 31 March 2019: approximately HK$286,084,000) and HK$371,533,000 (as at 31 March 2019: approximately HK$268,016,000) respectively. It should be noted that the current liabilities balance as at 30 September, 2019 included approximately HK$21,783,000 (as at 31 March 2019: approximately HK$23,739,000), the total of amounts due after one year but were included as current liabilities because of the repayment on demand clause as stipulated in bank loan documents.

As at 30 September 2019, there were bank borrowings of approximately HK$282,143,000 (as at 31 March 2019: HK$190,443,000). These bank borrowings obtained and repaid are mainly denominated in Hong Kong dollar and US dollar. As at 30 September 2019, the Group's interest-bearing bank borrowings carried mainly variable rate borrowings with annual interest rate of 2.3% to 4.9% per annum and are repayable by installments over a period of one to three years.

GEARING RATIO

As at 30 September 2019, 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 242.7% (31 March 2019: 164.8%).

PLEDGE OF ASSETS

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

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

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group employed 2,195 full-time employees in Hong Kong, the PRC and Sri Lanka. The Group recognises the importance of maintaining good relationship with its employees and retaining competent staff to ensure operational efficiency and effectiveness. The remuneration packages offered to the Group's employees are based on each employee's qualifications, relevant experience, position and seniority. The Group conducts review on salary increments, bonuses and promotions based on the performance of each employee. The Group provides on-the-job training to its new employees. During the six months ended 30 September 2019, the Group had not experienced any strike, any significant problems with its employees or other material labour disputes which had materially disrupted its operation during such period. The Group has not experienced any difficulties in the recruitment of experienced and skilled staff.

TREASURY POLICIES AND FOREIGN CURRENCY EXPOSURE

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

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Other than disclosure in note 26 to the condensed consolidated financial statements, the Group has no other capital commitment and contingent liabilities at 30 September 2019.

OTHER INFORMATION

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

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

	Percentage of net proceeds	**Planned usage of net proceeds** HK$' million	**Utilised net proceeds up to 30 September 2019** HK$' million	**Unutilised net proceeds up to 30 September 2019** HK$' million
Expanding and refurbishing production facilities located in Sri Lanka and the PRC	30%	16.3	4.1	12.2
Repayment of bank borrowings	25%	13.6	13.6	0
Acquisitions of production facilities	25%	13.6	0	13.6
Upgrading information technology system, lean manufacturing and productivity improvement programs	10%	5.4	0	5.4
General working capital	10%	5.5	5.5	0
Net Proceeds		54.4	23.2	31.2

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

During the six months ended 30 September 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange. Having made specific enquiry to each of the Directors, the Company has received confirmations from all Directors that they have complied with the required standards as set out in the Model Code during the six months ended 30 September 2019.

CORPORATE GOVERNANCE

The Board appreciates that good corporate governance is vital to healthy and sustainable development of the Group. In the opinion of the Directors, the Company had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 September 2019.

REVIEW OF ACCOUNTS

The Board is of the view that the disclosure of financial information in this report complies with Appendix 16 to the Listing Rules. The audit committee of the Company, comprising Mr. Chan Kee Huen Michael (chairman of the audit committee), Mr. Cheng King Hoi Andrew and Mr. Ko Ming Tung Edward, has reviewed the Group's unaudited interim financial information for the six months ended 30 September 2019, which has also been reviewed by the Company's auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVE

As at 30 September 2019, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and SEHK pursuant to the Model Code, are as follows:

Interests and/or short positions in the Company

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

Notes:

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

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

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

Save as disclosed above, as at 30 September 2019, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and SEHK pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2019, so far as the Directors are aware, the following persons had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company and SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO or which as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

Notes:

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

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

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

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

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

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

Save as disclosed above, as at 30 September 2019, the Directors are not aware of any person who had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company and SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO or which as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

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

INTERIM DIVIDEND

The Directors of the Company do not recommend payment of an interim dividend to shareholders of the Company for the six months ended 30 September 2019.

IMPORTANT EVENTS AFTER THE REVIEW PERIOD

As at the date of this report, there is no significant event subsequent to 30 September 2019 which would materially affect the operating and financial performance of the Company or the Group.

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

Hong Kong, 26 November 2019

* *For identification purpose only*

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF STERLING GROUP HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 20 to 50 which comprise the condensed consolidated statement of financial position of Sterling Group Holdings Limited and its subsidiaries (collectively referred to as the "Group") as of 30 September 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial statements"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

BDO Limited
Certified Public Accountants
Chow Tak Sing, Peter
Practising Certificate Number P04659
Hong Kong, 26 November 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Six months ended 30 September 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue	4	**315,157**	357,666
Cost of sales		**(263,833)**	(298,501)
Gross profit		**51,324**	59,165
Other revenue		**3,016**	3,577
Other gains and losses, net	5	**1,910**	417
Selling and distribution costs		**(17,112)**	(21,312)
General and administrative expenses		**(33,128)**	(28,302)
Listing expenses		**–**	(4,990)
Finance costs	6	**(4,907)**	(4,147)
Profit before income tax expense		**1,103**	4,408
Income tax credit/(expense)	7	**48**	(1,290)
Profit for the period	8	**1,151**	3,118
Profit for the period	8	**1,151**	3,118
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Remeasurement (loss)/gain on defined benefit plan		**(140)**	316
Exchange differences arising on translation of foreign operations		**(290)**	(141)
Other comprehensive (expense)/income for the period		**(430)**	175
Total comprehensive income for the period		**721**	3,293
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**721**	3,293
		HK cents	*HK cents*
Earnings per share			
– Basic	10	**0.14**	0.52

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Non-current assets			
Prepaid insurance premium	11	**7,774**	8,358
Property, plant and equipment	12	**48,503**	49,738
Intangible assets	13	**10,850**	–
Convertible promissory note	14	**6,054**	–
Right-of-use assets	15	**40,754**	–
Payment for leasehold land held for own use under operating lease		**–**	23,329
Goodwill	16	**17,803**	17,803
Deferred tax assets		**624**	321
Total non-current assets		**132,362**	99,549
Current assets			
Inventories	17	**59,389**	37,094
Trade and other receivables	18	**224,250**	169,698
Amounts due from related parties	23	**136**	–
Tax recoverable		**4,705**	3,605
Cash and cash equivalents		**78,558**	75,687
Total current assets		**367,038**	286,084
Total assets		**499,400**	385,633
Current liabilities			
Trade, bills and other payables	19	**77,623**	77,305
Amounts due to related parties	23	**2,252**	–
Bank borrowings	20	**282,143**	190,443
Lease liabilities	15	**9,247**	–
Tax payable		**268**	268
Total current liabilities		**371,533**	268,016
Net current (liabilities)/assets		**(4,495)**	18,068

	Notes	**At 30 September 2019** ***HK$'000*** **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
Non-current liabilities			
Defined benefit obligation	21	**2,225**	2,073
Lease liabilities	15	**9,377**	–
		11,602	2,073
Net assets		**116,265**	115,544
Capital and reserves attributable to owners of the Company			
Share capital	22	**8,000**	8,000
Share premium	22	**66,541**	66,541
Other reserves		**41,724**	41,003
Total equity		**116,265**	115,544

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital *HK$'000*	Share Premium *HK$'000*	Contributed reserve *HK$'000*	Translation reserve *HK$'000*	Remeasurement reserve *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
At 1 April 2019 (audited)	8,000	66,541	4,078	997	260	35,668	115,544
Profit for the period	–	–	–	–	–	1,151	1,151
Remeasurement loss on defined benefit plan for the period	–	–	–	–	(140)	–	(140)
Exchange differences arising on translation of foreign operations	–	–	–	(290)	–	–	(290)
Total comprehensive income for the period	–	–	–	(290)	(140)	1,151	721
At 30 September 2019 (unaudited)	8,000	66,541	4,078	707	120	36,819	116,265

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(61,184)**	(83,316)
Cash flow from investing activities:		
Interest received	**200**	12
(Cash advance to)/repayment from related parties	**(136)**	4,004
Purchases of properties, plant and equipment	**(3,871)**	(1,778)
Purchases of convertible promissory note	**(6,054)**	–
Purchases of intangible assets	**(10,850)**	–
Proceeds from disposal of properties, plant and equipment	**106**	–
Net cash (used in)/generated from investing activities	**(20,605)**	2,238
Cash flow from financing activities:		
Proceed from bank borrowings	**393,989**	301,451
Repayment of bank borrowings	**(302,289)**	(239,953)
Cash advance from a shareholder	**–**	572
Cash advances from related parties	**2,252**	–
Repayment of principal portion of the lease liabilities	**(4,657)**	
Repayment to a related party	**–**	(1,049)
Interim dividends paid	**–**	(9,000)
Interest paid	**(4,907)**	(4,147)
Net cash generated from financing activities	**84,388**	47,874
Net increase/(decrease) in cash and cash equivalents	**2,599**	(33,204)
Cash and cash equivalents at beginning of the period	**75,687**	67,134
Effect of exchange rate changes on cash and cash equivalents	**272**	(773)
Cash and cash equivalents at end of the period	**78,558**	33,157
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS:		
Bank balances and cash	**78,558**	33,157

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION OF THE GROUP

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

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

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

2. BASIS OF PREPARATION

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

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

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

These condensed consolidated interim financial statements are presented in Hong Kong Dollars, unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the 2019 annual financial statements.

As of 30 September 2019, the Group's current liabilities exceeded its current assets by HK$4,495,000 (31 March 2019: net current assets of HK$18,068,000). The Group is dependent upon the financial support from the bankers and the ultimate controlling shareholders, and its ability to generate sufficient cash flows from future operations to cover its operating costs and to meet its financing commitments.

The directors have made an assessment and concluded that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to the following:

(i) the Group expects to continue to generate positive operating cash flows for the next twelve months;

(ii) the ultimate controlling shareholders have also undertaken to provide adequate funds to enable the Group to meet its liabilities and to pay financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without a significant curtailment of operations for the twelve months from the date of approving the condensed consolidated financial statements;

(iii) The directors will strengthen and implement measures aiming at improving the working capital and cash flows of the Group, including closely monitoring the general administrative expenses and operating costs; and

(iv) The directors will consider to improve the financial position of the Group and to enlarge the capital base of the Company by conducting fund raising exercises such as share placement or loan capitalisation when necessary.

The directors have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the reporting date taking into account the impact of above measures, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements as and when they fall due in the next twelve months from the reporting date, and accordingly, are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

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

The Group intends to pursue strategic acquisitions that can enable the Company to capture new business opportunities and to strengthen the revenue and profit fundamentals. The Company has been actively identifying projects with growth potential for acquisitions or investments and has engaged in discussions with various parties for such acquisitions or investments.

3. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared with the same accounting policies adopted in the 2019 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for period beginning on or after 1 April 2019. This is the first set of the Group's financial statements in which HKFRS 16 has been adopted. Details of any changes in accounting policies are set out in Note 3. Except for the adoption of HKFRS 16, the adoption of the new and revised HKFRSs have no material effect on these condensed consolidated interim financial statements. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2019.

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

The impact of the adoption of HKFRS 16 Leases has been summarised below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any material impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases.

From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use assets at the amount equal to the lease liabilities, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 March 2019. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

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

Condensed consolidated statement of financial position as at 1 April 2019

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

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

Reconciliation of operating lease commitment to lease liabilities

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

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

(ii) The new definition of a lease

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

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases in which the Group is a lessee.

(iii) Accounting as a lessee

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

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

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

Right-of-use asset

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

Lease liability

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

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

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

(iv) Transition

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

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

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

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 April 2019; and (iii) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

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

(v) Adoption of new/revised HKFRSs – effective 1 April 2020

The following amendments to HKAS and HKFRS, potentially relevant to the Group's condensed consolidated financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

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

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

The Group has already commenced an assessment of the impact of adopting the above amendments to HKFRS and HKAS to the Group. The directors of the Company anticipate that the application of these amendments to HKFRS and HKAS will have no material impact on the Group's financial performance and positions and/or the disclosures to these condensed consolidated financial statements of the Group.

4. REVENUE AND SEGMENT INFORMATION

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

Segment revenues and results

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

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Major products		
Outerwear	**167,340**	183,621
Bottoms	**94,770**	107,587
Tops	**18,412**	9,235
Others *(Note a)*	**34,635**	57,223
Total	**315,157**	357,666
Primary geographical markets		
The United States of America (the "USA")	**278,128**	329,817
Italy	**29,740**	17,916
United Kingdoms	**1,345**	5,990
Others *(Note b)*	**5,944**	3,943
	315,157	357,666
Timing of revenue recognition		
At a point in time	**315,157**	357,666
Transferred over time	**–**	–
	315,157	357,666

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

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

Information about the Group's non-current assets

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

	At 30 September 2019 *HK$'000* **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
Hong Kong ("Hong Kong")	**35,812**	16,984
The People's Republic of China (the "PRC")	**24,179**	14,504
Sri Lanka	**64,597**	59,703
	124,588	91,191

5. OTHER GAINS AND LOSSES, NET

	Six months ended 30 September	
	2019 *HK$'000* **(Unaudited)**	2018 *HK$'000* (Unaudited)
Fair value changes on prepaid insurance premium	**(584)**	38
Expected credit loss on trade receivables, net	**(538)**	(419)
Net exchange gain	**1,831**	803
Fair value changes in convertible promissory note	**1,144**	–
Gain/(loss) on disposal/written-off of property, plant and equipment	**57**	(5)
	1,910	417

6. FINANCE COSTS

	Six months ended 30 September	
	2019 *HK$'000* **(Unaudited)**	2018 *HK$'000* (Unaudited)
Interest on bank borrowings		
– trust receipt loans	**2,443**	2,036
– term and revolving loans	**1,891**	2,110
– bank overdraft	**1**	1
Interest expenses on lease liabilities	**572**	–
	4,907	4,147

7. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
– current taxation	**137**	1,302
Overseas profits tax		
– current taxation	**72**	101
– under provision in prior years	**47**	43
	119	144
Deferred tax:		
– Hong Kong	**(255)**	(156)
– Overseas	**(49)**	–
	(304)	(156)
	(48)	1,290

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.

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rates regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018. Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying group entity will be taxed at 8.25% and assessable profits above HK$2 million will be taxed at 16.5% for the six months ended 30 September 2019 and 2018. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. A HK subsidiary of the Group has been entitled to a concessionary tax rate of 50% on the transactions made with a PRC subsidiary of the Group under the relevant contract processing arrangement for both periods.

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

The provision for Sri Lanka Corporate Income Tax is based on the statutory rate of 14% (six months ended 30 September 2018: 14%) of the assessable profit of the Sri Lanka subsidiaries of the Group as determined in accordance with the Sri Lanka's Inland Revenue.

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**4,801**	5,786
Depreciation of right-of-use assets	**4,712**	–
Amortisation of payment for leasehold land held for own use under operating lease	**–**	289
Fair value changes on prepaid insurance premium	**584**	(38)
Employee costs (including directors' emoluments)	**68,588**	70,780
Listing expenses	**–**	5,110
Write-down of inventories	**–**	514
Interest income*	**(200)**	(12)

* *Included in other revenue*

9. DIVIDENDS

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividends	**–**	–

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2019 (six months ended 30 September 2018: Nil).

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2019 and 2018.

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of calculations of basic earnings per share	**1,151**	3,118

	Six months ended 30 September	
	2019	2018
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of calculations of basic earnings per share	**800,000**	600,000

No diluted earnings per share for the six months ended 30 September 2019 and 2018 was presented as the Company did not have any dilutive potential ordinary shares in issue for the six months ended 30 September 2019 and 2018.

11. 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 USD$3,000,000 (equivalent to HK$23,250,000). At inception of the Policy, the Group paid a gross premium of approximately USD1,000,000 (equivalent to HK$7,750,000). The bank will pay the Group a guaranteed interest rate of 4% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest rate of 2.0% per annum) during the effective period of the Policy. The Group can terminate the Policy at any time and can receive cash back at the date of termination based on the account value of the Policy ("Account Value"), which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If termination is made between the first policy year to the end of surrender period stated in the Policy, there is a specified amount of surrender charge deducted from Account Value.

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

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

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

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

The deposits placed for life insurance policies were reclassified to financial assets at fair value through profit or loss since 1 April 2018. The changes in fair value of HK$584,000 (six months ended 30 September 2018: (HK$38,000)) has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 September 2019.

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred expenditure of HK$3,871,000 during the six months ended 30 September 2019 (six months ended 30 September 2018: HK$1,778,000) on property, plant and equipment to expand and upgrade the Group's manufacturing facilities.

13. INTANGIBLE ASSETS

	At 30 September 2019 ***HK$'000*** **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
Trademark	**10,850**	–

The J Peterman trademark is considered to have an indefinite useful life. The J Peterman trademark services the J Peterman worldwide operations and is separately identifiable.

The recoverable amount of the J Peterman trademark is based on fair value less costs of disposal, estimated using discounted cash flows method. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount measurement is based would not cause the carrying amount to exceed its recoverable amount.

14. CONVERTIBLE PROMISSORY NOTE

	At 30 September 2019 *HK$'000* **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
At the beginning of the period	**–**	–
Additions	**4,910**	–
Changes in fair value	**1,144**	–
	6,054	–

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

The relevant fair value is determined with reference to valuation carried out by Grant Sherman Appraisal Limited using market approach and equity allocation method.

	At 30 September 2019 *HK$'000* **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
Risk-free interest rate	**1.7%**	–
Volatility	**37.11%**	–

The Group estimated the risk-free interest rate based on the yield of US Treasury Strips with a maturity life equal to period from the respective appraisal dates to expected liquidation date. Volatility was estimated at the dates of appraisal based on average of historical volatilities of the comparable companies in the same industry for a period from the respective appraisal dates to expected liquidation date. Thus, we consider that the fair value measurement of level 3 fair value measurement under HKFRS13.B36(b).

15. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	Land and buildings *HK$'000* (Unaudited)	Prepaid lease payment *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Cost at 1 April 2019			
Recognition upon effective of HKFRS 16	22,646	23,329	45,975
Additions	93	–	93
Depreciation provided during the period	(4,423)	(289)	(4,712)
Exchange realignments	(602)	–	(602)
At 30 September 2019	17,714	23,040	40,754

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

Lease Liabilities

	At 30 September 2019 ***HK$'000*** **(Unaudited)**
Maturity analysis	
Less than one year	**9,247**
Over one year and more	**9,377**
Total lease liabilities at 30 September 2019	**18,624**
Analysed as:	
Current portion	**9,247**
Non-current portion	**9,377**
	18,624

16. GOODWILL

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Goodwill	**17,803**	17,803

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

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Manufacturing and trading of apparel products	**17,803**	17,803

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

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Discount rate	**15.58%**	16.19%
Budgeted gross margin	**17%**	19%
Average revenue growth rate	**3%**	5%
Growth rate	**3%**	5%

17. INVENTORIES

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Raw materials	**52,584**	32,332
Work-in-progress	**4,475**	3,348
Finished goods	**2,330**	1,414
	59,389	37,094

18. TRADE AND OTHER RECEIVABLES

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Trade receivables	**207,927**	153,684
Less: Loss allowances	**(1,331)**	(793)
	206,596	152,891
Prepayment	**15,254**	14,356
Other receivables	**387**	721
Utilities and sundry deposits	**2,013**	1,730
	224,250	169,698

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

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Current	**182,743**	93,356
Less than 3 months past due	**3,810**	44,941
More than 3 months but less than 6 months past due	**3,831**	9,482
More than 6 months but less than 12 months past due	**12,834**	4,925
More than 12 months past due	**3,378**	187
	206,596	152,891

During the current interim period, the Group provided HK$538,000 (six months ended 30 September 2018: HK$419,000) net loss allowance based on the provision matrix.

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

	At 30 September 2019	At 31 March 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At the beginning of the period/year	**793**	278*
Expected credit loss on trade receivables recognised during the period/year, net	**538**	515
At the end of the period/year	**1,331**	793

* *The Group has initially applied HKFRS 9 at 1 April 2018.*

19. TRADE, BILLS AND OTHER PAYABLES

	At 30 September 2019 *HK$'000* (Unaudited)	At 31 March 2019 *HK$'000* (Audited)
Trade payables	**44,861**	40,407
Bills payables	**18,864**	24,927
Deferred gain on purchase of convertible promissory note	**1,035**	–
Other payables and accruals	**12,863**	11,971
	77,623	77,305

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

	At 30 September 2019 *HK$'000* (Unaudited)	At 31 March 2019 *HK$'000* (Audited)
0 – 30 days	**33,198**	22,215
31 – 90 days	**11,295**	18,057
91 – 365 days	**336**	106
Over 365 days	**32**	29
	44,861	40,407

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

20. BANK BORROWINGS

During the six months ended 30 September 2019, the Group obtained new bank borrowings of HK$393,989,000 (six months ended 30 September 2018: HK$301,451,000) and made repayments of HK$303,289,000 (six months ended 30 September 2018: HK$239,953,000). These bank borrowings obtained and repaid are mainly denominated in Hong Kong dollar ("HKD") and US dollar ("USD"). The bank borrowings raised were mainly used to repay the existing bank borrowings or as working capital of the Group.

The bank borrowings of the Group are mainly variable rate borrowings. The range of effective interest rates of bank borrowings of the Group is 2.3% – 4.9% (31 March 2019: 2.5% – 5.1%) per annum and are repayable by installments over a period from one to three years. The bank borrowings are secured by the assets of the Group and the 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).

21. DEFINED BENEFIT OBLIGATION

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

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

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

For the period ended 30 September 2019, the Group recognised the service cost and interest cost of HK$114,000 (Six months ended 30 September 2018: HK$211,000) and benefit paid HK$172,000 (Six months ended 30 September 2018: HK$220,000) in relation to defined benefit obligation granted by the Company.

22. SHARE CAPITAL

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

	Number of shares	Nominal value of ordinary shares *HK$*	Share premium *HK$*
Authorised			
At 1 April (audited) and 30 September 2019 (unaudited)	**10,000,000,000**	**100,000,000**	**–**
Issued and fully paid			
At 1 April (audited) and 30 September 2019 (unaudited)	**800,000,000**	**8,000,000**	**66,540,898**

	Number of shares	Nominal value of ordinary shares HK$	Share premium HK$
Authorised			
At 1 April 2018 (audited)	38,000,000	380,000	–
Increase during the year *(Note a)*	9,962,000,000	99,620,000	–
At 31 March 2019 (audited)	10,000,000,000	100,000,000	–
Issued and fully paid			
At 1 April 2018 (audited)	2	–*	–
Reorganisation Issue *(Note b)*	98	–*	–
Capitalisation Issue *(Note c)*	599,999,900	5,999,999	–
Issuance of new shares upon listed *(Note d)*	200,000,000	2,000,000	78,000,000
Share issuance cost	–	–	(11,459,102)
At 31 March 2019 (audited)	800,000,000	8,000,000	66,540,898

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

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

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

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

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

23. RELATED PARTY DISCLOSURES

Related party transactions

The Group entered into the following transactions with its related parties during the six months ended 30 September 2019 and 2018:

Name of entities	Relationship with the Group	Nature of transactions	Six months ended 30 September	
			2019	2018
			HK$'000	*HK$'000*
			(Unaudited)	(Unaudited)
C.F.L Enterprise Limited	Mr. William Choi (Director and beneficial owner of the shareholder of the Group) is the director and shareholder of the related company	Sales of finished apparel products	**136**	89
Kam Li Fashion Factory	Common shareholder, Mr. CW Siu	Motor vehicle rental expense	**108**	108
Full Submit Development Limited	Common shareholder, Mr. CW Siu	Motor vehicle rental expense	**150**	150
Win 18 Limited ("Win 18")	Common shareholder, Mr. CW Siu and common director, Mr. William Choi	Rental expenses *(Note i)*	**750**	625
Win 19 Limited ("Win 19")	Common shareholder, Mr. CW Siu and common director, Mr. William Choi	Rental expenses *(Note i)*	**750**	625
Win 20 Limited ("Win 20")	Common shareholder, Mr. CW Siu and common director, Mr. William Choi	Rental expenses *(Note i)*	**750**	625

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

Compensation of directors and key management personnel

	Six months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and other allowances	**6,048**	5,286
Retirement benefit scheme contributions	**98**	87
Total	**6,146**	5,373

Related party balances

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

	At 30 September 2019 HK$'000 (Unaudited)	At 31 March 2019 HK$'000 (Audited)
Amounts due from related parties	**136**	–
Amounts due to related parties	**(2,252)**	–

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

24. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	At 30 September 2019 HK$'000	At 31 March 2019 HK$'000
Financial assets		
Financial assets at fair value through profit or loss		
– Prepaid insurance premium	**7,774**	8,358
– Convertible promissory note	**6,054**	–
Financial assets at amortised cost		
– Trade and other receivables	**208,996**	155,342
– Amounts due from related parties	**136**	–
– Cash and cash equivalents	**78,558**	75,687
	301,518	239,387
Financial liabilities		
At amortised cost		
– Trade, bills and other payables	**76,588**	77,305
– Amounts due to related parties	**2,252**	–
– Bank borrowings	**282,143**	190,443
– Lease liabilities	**9,247**	–
	370,230	267,748

(b) Fair Value

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

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair value.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 September 2019				
Prepaid insurance premium	–	7,774	–	7,774
Convertible promissory note	–	–	6,054	6,054
As at 31 March 2019				
Prepaid insurance premium	–	8,358	–	8,358

There was no transfer between levels during the period.

25. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group leases various properties including motor vehicles and dormitories under non-cancellable operating lease agreements. Substantial leases have been recorded as lease liabilities as at 30 September 2019 under newly adopted accounting standard HKFRS 16 (Note 3) and the Group has operating lease commitment of HK$122,000 as at 30 September 2019. The operating lease commitment of the Group as at 31 March 2019 presented below represents the future aggregate minimum lease payments under all non-cancellable operating leases.

	At 30 September 2019 ***HK$'000*** **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
Not later than one year	**122**	10,395
Later than one year and not later than five years	**–**	13,864
Later than five years	**–**	8,981
	122	33,240

26. CAPITAL COMMITMENTS

	At 30 September 2019 ***HK$'000*** **(Unaudited)**	At 31 March 2019 *HK$'000* (Audited)
Not later than one year	**2,781**	–
Later than one year and not later than five years	**–**	–
	2,781	–