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)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2022

FINANCIAL HIGHLIGHTS

	For the year ended 31 March	
	2022	2021
Operating results *(HK$' thousand)*		
Revenue	**455,970**	371,276
Gross profit	**61,069**	43,849
Gross profit margin	**13.39%**	11.81%
Selling and distribution costs	**(24,863)**	(23,922)
General and administrative expenses	**(50,814)**	(51,419)
Operating loss	**(1,174)**	(25,939)
Provision for expected credit loss (ECL) on receivables	**(37,673)**	(7,314)
Net Loss for the year	**(38,847)**	(33,253)
Add back:		
Depreciation charges	**12,905**	14,667
Provision for expected credit loss on receivables	**37,673**	7,314
Finance costs	**4,537**	6,033
Income tax credit	**(6,612)**	(2,027)
EBITDA before ECL	**9,656**	(7,266)
EBITDA after ECL	**(28,017)**	(14,580)

* EBITDA is defined as earnings before interest, taxes, and depreciation. EBITDA is a non-HKFRS measure commonly used by companies for monitoring business performance. It may not be comparable to similar measures presented by other companies.

The board (the "Board") of directors (the "Directors") of Sterling Group Holdings Limited (the "Company") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2022, together with the comparative figures for the year ended 31 March 2021 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Prepaid insurance premium		**8,513**	8,246
Property, plant and equipment		**43,836**	49,700
Intangible assets		**6,748**	7,606
Right-of-use assets	14	**30,414**	31,321
Deferred tax assets		**11,781**	4,133
Goodwill		**16,824**	18,122
Other receivables	12	**2,706**	11,596
Total non-current assets		**120,822**	130,724
Current assets			
Inventories		**40,024**	35,849
Trade and other receivables	12	**129,819**	149,389
Convertible promissory note		**–**	3,292
Amounts due from related parties		**1**	108
Tax recoverable		**181**	1,363
Cash and cash equivalents		**33,391**	63,853
Total current assets		**203,416**	253,854
Total assets		**324,238**	384,578
Current liabilities			
Trade, bills and other payables	13	**99,736**	76,637
Amounts due to related parties		**3,301**	742
Bank overdrafts		**–**	53
Bank borrowings		**161,863**	237,022
Lease liabilities	14	**3,465**	6,229
Total current liabilities		**268,365**	320,683
Net current liabilities		**(64,949)**	(66,829)

	Notes	2022 HK$'000	2021 HK$'000
Non-current liabilities			
Loans from a shareholder		**18,987**	–
Defined benefit obligation		**2,072**	2,907
Lease liabilities	14	**5,610**	3,317
Deferred tax liabilities		**2,359**	668
Total non-current liabilities		**29,028**	6,892
NET ASSETS		**26,845**	57,003
Share capital		**8,000**	8,000
Share premium		**66,541**	66,541
Reserves		**(47,696)**	(17,538)
TOTAL EQUITY		**26,845**	57,003

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

Sterling Group Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The registered office of the Company is located at the offices of Tricor Services (Cayman Islands) Limited, Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, 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 ("USA"), Italy and the United Kingdom ("UK").

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

(a) Adoption of new/revised HKFRSs

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

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

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

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

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

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

3 Effective for annual periods beginning on or after 1 January 2023.

4 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

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

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

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

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

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

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

Amendments to HKAS 8 – Definition of Accounting Estimates

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

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

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

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

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

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

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

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

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

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

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

Amendments to HKFRS 3 – Reference to the Conceptual Framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION

a. Statement of compliance

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

b. Basis of measurement and going concern assumption

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

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

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

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future performance and liquidity of the Group in light of the above events or condition and are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due so as to enable the Group to continue as a going concern for at least the next twelve months from the date of authorisation for issue of these consolidated financial statements, based on the cash flow projections of the Group covering a period up to 30 June 2023 after taking into consideration of the following:

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

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

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

Notwithstanding that there is inherent uncertainty associated with the future outcomes of the Group's plans and measures as described above, including whether the Group is able to improve the financial performance and maintain its banking facilities, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

c. Functional and presentation currency

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

4. SEGMENT INFORMATION

Operating segments

The Group was principally engaged in the manufacturing and trading of apparel products and licensing of trademarks. Information reported to the Group's chief operating decision maker, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Group as a whole, as the Group's resources are integrated and no discrete operating segment is available. The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following two reportable segments.

– Manufacturing and trading of apparel products.

– Licensing of trademark for licensing income.

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

Segment results, assets and liabilities

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

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2022 and 2021 is set out below:

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

Reconciliation of reportable segment revenue, profit, assets and liabilities

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

Geographic information

The following table sets out information about the geographical location of:

(i) ***The Group's revenue from external customers***

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

Note: Others mainly includes Netherlands and Canada.

(ii) the Group's prepaid insurance premium, property, plant and equipment, intangible assets, right-of-use assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of other than prepaid insurance premium, and the location to which they are managed, in the case of intangible assets.

	As at 31 March 2022			
	Hong Kong	**PRC**	**Sri Lanka**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Prepaid insurance premium	**8,513**	**–**	**–**	**8,513**
Property, plant & 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**

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

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue for the years ended 31 March 2022 and 2021 is as follows:

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

5. REVENUE

Disaggregation of revenue

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

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

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

The Group's revenue represents the net invoiced value of goods sold and licensing income which recognised in accordance with accounting policy.

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

	2022	2021
	HK$'000	*HK$'000*
Trade receivables *(Note 12)*	**124,311**	142,603

Note: Others mainly include dresses, suits, gown, scarf, jumpsuits, sleepwear, vests and licensing income.

6. OTHER REVENUE

	2022	2021
	HK$'000	*HK$'000*
Bank interest income	**31**	132
Sample sales income	**3,315**	1,873
Claims income	**1,189**	1,131
Government grants *(Note i)*	**642**	5,041
Interest income from convertible promissory note	**237**	348
Imputed interest income from trade and other receivables	**1,983**	1,829
COVID19-related rent concession	**–**	1,000
Others	**264**	159
	7,661	11,513

Note:

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

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

7. OTHER GAINS AND LOSSES, NET

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

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

8. LOSS BEFORE INCOME TAX

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

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

Notes:

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

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

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

9. INCOME TAX CREDIT

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

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

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the company incorporated in the Cayman Islands is not subject to any income tax.

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

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC Enterprise Income Tax ("EIT") of the subsidiary of the Group is calculated based on the statutory tax rate of 25% (2021: 25%) on the assessable profits for the year.

The provision for Sri Lanka Corporate Income Tax is based on the statutory rate of 14% (2021: 14%) of the assessable profit of the Sri Lanka subsidiaries of the Group for the year as determined in accordance with the Sri Lanka's Inland Revenue Act No. 10 of 2006 which was effective on 31 March 2006.

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

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

10. LOSS PER SHARE

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

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

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

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

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

11. DIVIDEND

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

12. TRADE AND OTHER RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables at amortised cost	**103,278**	159,523
Less: Loss allowances on trade receivables	**(43,467)**	(16,920)
Trade receivables at amortised cost, net *(a)*	**59,811**	142,603
Trade receivables at fair value through profit or loss *(b)*	**64,500**	–
Trade receivables *(Note 5)*	**124,311**	142,603
Prepayments	**4,128**	2,491
Other receivables *(Note)*	**20,891**	20,764
Utilities and sundry deposits	**844**	1,650
	25,863	24,905
Less: Loss allowances on other receivables *(Note)*	**(17,649)**	(6,523)
	8,214	18,382
	132,525	160,985
Non-current	**2,706**	11,596
Current	**129,819**	149,389
	132,525	160,985

Note: Included in other receivables, is an amount of HK$20,355,000 (equivalent to USD2,610,000) (2021: HK$19,820,000) due from a non-related company which is a customer and the issuer of convertible promissory note of the Group which has good business relationship with the Group as at 31 March 2022.

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

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

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

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

The credit period granted to the above trade debtors ranges 0–90 days from the invoice dates. No significant change in the gross carrying amounts of trade receivable during the year contributed to changes in the loss allowance.

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

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

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

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

The Group is also exposed to credit risk in relation to these trade receivables. The maximum exposure at the end of reporting period is HK$64,500,000 (2021: Nil).The ageing analysis of trade receivables at fair value through profit or loss, based on invoice dates, as at the end of the year is as follows:

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

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

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

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

13. TRADE, BILLS AND OTHER PAYABLES

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

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

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

	2022	2021
	HK$'000	*HK$'000*
0–30 days	**18,296**	18,473
31–90 days	**20,915**	4,806
91–365 days	**1,497**	245
Over 365 days	**898**	411
	41,606	23,935

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

14. LEASES

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

Right-of-use assets

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

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

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

Lease liabilities

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

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

Future lease payments are due as follows:

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

The present value of future lease payments is analysed as:

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

15. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY BACKGROUND

Sterling Group Holdings Limited (the "Company") together with its subsidiaries (the "Group") is an apparel manufacturer headquartered in Hong Kong providing a one-stop apparel manufacturing solution for its customers. The Group manufactures a wide range of apparel products such as outerwear, bottoms, tops and other products. The majority of the customers are international apparel brands that are headquartered in the United States (the "U.S.") and certain European countries such as the United Kingdom (the "U.K.") with their products sold around the world. In particular, the Group has established a long standing relationship with its largest customer which is an international apparel brand headquartered in the U.S. since the 1990s. In recent years, the Group has actively diversified its customer base and product portfolio having secured several new customers, including high-end fashion brands from the U.S. and a well-known U.K. luxury brand.

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

BUSINESS REVIEW

Financial Overview

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

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

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

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

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

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

Revenue

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

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

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

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

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

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

Other Revenue

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

Other Gains and Losses, Net

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

Selling and Distribution Costs

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

General and Administrative Expenses

General and administrative expenses for the Year under Review were approximately HK$50,814,000, representing a decrease of approximately HK$605,000 from that of approximately HK$51,419,000 for the year ended 31 March 2021. For the Year under Review, the depreciation of property, plant and equipment and right of use assets was approximately HK$2,175,000 (2021: HK$2,548,000) and HK$3,161,000 (2021:HK$3,728,000) respectively. The decrease of 14.7% and 15.2% was mainly due to some fixed assets being fully depreciated.

Finance Costs

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

Income Tax Credit

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

Financial Position

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

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

DIVIDEND

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

OUTLOOK

The U.S. economy, where the Group derives more than 90% of its sales, rebounded strongly in 2021 with the GDP closing the year about 5.7% higher than that of 2020 which contracted by about 3.4% from the ravages of the pandemic beginning in early 2020. In first quarter of 2022, the U.S. GDP unexpectedly declined at an annualized rate of 1.5%, a sharp reversal from the 6.9% growth in GDP in 4Q 2021. This has been attributed to a number of factors including the rising COVID cases from the variant Omicron in early 2022, the highest inflation rate since early 1980's and the market anxiety arising from the Russia/Ukraine conflict. While the

Omicron cases in the U.S. has subsided in 2Q, inflation pressure on prices especially energy has continued unabated leading to the largest increase in interest rate since 1994. The resulting turmoil in the financial markets further adds to the woes of the economy.

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

The Group is cautiously optimistic that the sales recovery that started in 2021/2022 will continue in 2022/2023. As of the time of writing, the Group's orders-on-hand, which cover the bulk of its revenue to October 2022, indicate a growth in sales for the year ending 30 March 2023 at a rate no less than that for the corresponding year (the year ended 30 March 2021). Despite a deteriorating macro environment, we are hopeful that the premium brands the Company serves may weather this downturn better than mass market retailers. Even assuming a flat or a slight decrease in the orders for the coming 2023 Spring Summer season, the Group is expecting a notable increase in sales revenue in the coming year.

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

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

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The Company manages its capital structure with the objectives of ensuring that the businesses of the Group can continue to maintain a sustainable growth and providing a long term reasonable return to its shareholders. The Group's financial position remained manageable and stable. It is anticipated that the Group has sufficient working capital to fund its future working capital, capital expenditure and other cash requirements. As at 31 March 2022, the Group had cash and bank balances amounting to approximately HK$33,391,000 (31 March 2021: approximately HK$63,853,000), and current assets and current liabilities of approximately HK$203,416,000 (as at 31 March 2021: approximately HK$253,854,000) and

HK$268,365,000 (as at 31 March 2021: approximately HK$320,683,000) respectively. It should be noted that the current liabilities balance as at 31 March 2022 included approximately HK$480,000 (2021: approximately HK$5,130,000), the total of amounts due after one year but were included as current liabilities because of the payment on demand clause in bank loan documents.

As at 31 March 2022, there were bank borrowings of approximately HK$161,863,000 (as at 31 March 2021: approximately HK$237,022,000). The bank borrowings are mainly denominated in Hong Kong dollar and US dollar. As at 31 March 2022, the Group's interest-bearing bank borrowings carried mainly variable rate borrowings with annual interest rate of 0.51% to 3.26% (2021: 0.51%–4.75%) per annum.

As at 31 March 2022, the gearing ratio of the Group, based on total interest-bearing liabilities (primarily, bank borrowings) to total equity (including all capital and reserves) of the Company was approximately 603.0% (31 March 2021: approximately 415.8%). The increase was a direct result of the provision for estimated credit loss of $37,673,000 in the current year. Otherwise, the gearing ratio would have decreased to 250.9% as at 31 March 2022.

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

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group employed approximately 1,381 full-time employees (as at 31 March 2021: approximately 1,584 full-time employees) in Hong Kong, the PRC and Sri Lanka. The Group recognizes the importance of maintaining good relationship with its employees and retaining competent staff to ensure operational efficiency and effectiveness. The remuneration packages offered to the Group's employees are based on market conditions and each employee's qualifications, relevant experience, position and seniority. The Group conducts review on salary increments, bonuses and promotions based on the performance of each employee. The Group provides on-the-job training to its new employees. During the year ended 31 March 2022, the Group had not experienced any strike, any significant problems with its employees or other significant labor disputes which had materially disrupted its operation during such period, and has not experienced any difficulties in the recruitment of experienced and skilled staff.

The Group had implemented a 30% reduction in the salary of all the employees, and directors' fees for a period of three months with effect from 1 April 2020. In June 2020, the Group had conducted a staff retrenchment to reduce the number of employees and people cost in Hong Kong while migrating some of the functions in the Hong Kong office to the Group's factories in China and Sri Lanka. Subsequent to June 2020, the original 30% reduction in salary for all employees was restored, save and except the most senior executives of the Company whose salaries were also restored in March 2022.

TREASURY POLICIES AND FOREIGN CURRENCY EXPOSURE

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

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

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

During the year ended 31 March 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules governing dealings by the Directors in the listed securities of the Company on 19 October 2018. Based on specific enquiry with the Directors, the Company has received confirmations from all the Directors that they have compiled with the required standards as set out in the Model Code throughout the year ended 31 March 2022.

THE CODE OF CONDUCT AND CORPORATE GOVERNANCE

The Company confirms it has met the code provisions as set out in the CG Code as contained in Appendix 14 to the Listing Rules throughout the year ended 31 March 2022.

INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVE

The shares of the Company were listed on the Main Board of SEHK on 19 October 2018. As at the date of this announcement, 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 Securities and Futures Ordinance ("the SFO")) which were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and SEHK pursuant to the Model Code, are as follows:

Interests and/or short positions in the Company

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

Notes:

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

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

Save as disclosed above, as at the date of this announcement, 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 the date of this announcement, 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:

Name	Capacity/ nature of interest	Number of Shares[1]	Percentage shareholding
Moonlight	Beneficial owner	40,100,000 (L)	20.05%
Mr. Siu Chi Wai	Interest of controlled corporation[2]	40,100,000 (L)	20.05%
Ms. Wong Mei Wai Alice	Interest of spouse[3]	40,100,000 (L)	20.05%

Notes:

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

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

3. Ms. Wong Mei Wai Alice is the spouse of Mr. Siu Chi Wai and is deemed to be interested in the Shares in which Mr. Siu Chi Wai is interested in under Part XV of the SFO. Moonlight is a corporation wholly owned by Mr. Siu Chi Wai.

Save as disclosed above, as at the date of this announcement, 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.

FINAL DIVIDEND

The Directors do not recommend payment of any final dividend to shareholders of the Company for the year ended 31 March 2022.

EVENT AFTER THE REPORTING PERIOD

Details of the event after the reporting period are set out in note 15 to the financial statements.

AUDIT COMMITTEE REVIEW

The Company has established the audit committee (the "Audit Committee") in accordance with the requirements of the CG Code for the purpose of reviewing and supervising the Group's financial reporting process. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chan Kee Huen Michael, Mr. Tsang Ho Yin and Ms. Zhang Lingling. Mr. Chan Kee Huen Michael is the chairman of the Audit Committee.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 March 2022 including the accounting principles and policies adopted by the Group, and discussed internal controls and financial reporting matters.

SCOPE OF WORK OF BDO LIMITED ON THE PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2022 as set out in the preliminary results announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary results announcement.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.sterlingapparel.com.hk. The annual report of the Company for the year ended 31 March 2022 will be available on both websites and dispatched to the shareholders of the Company in due course.

By order of the Board
Sterling Group Holdings Limited
Wong Mei Wai Alice
Chairperson, Executive Director and Chief Executive Officer

Hong Kong, 30 June 2022

As at the date of this announcement, Ms. Wong Mei Wai Alice is the executive Director and Chairperson, Mr. Siu Yik Ming and Mr. Chung Sam Kwok Wai are the executive Directors, and Mr. Chan Kee Huen Michael, Mr. Tsang Ho Yin and Ms. Zhang Lingling are the independent non-executive Directors.

* *For identification purposes only*