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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 2023

FINANCIAL HIGHLIGHTS

	For the year ended 31 March	
	2023	2022
Operating results *(HK$' thousand)*		
Revenue	**623,433**	455,970
Gross profit	**107,184**	61,069
Gross profit margin	**17.19%**	13.39%
Selling and distribution costs	**(31,943)**	(24,863)
General and administrative expenses	**(49,061)**	(50,814)
Operating profit/(loss)	**22,028**	(1,174)
Provision for expected credit loss ("ECL") on receivables	**(2,101)**	(37,673)
Net profit/(loss) for the year	**19,927**	(38,847)
Add back:		
Depreciation charges	**9,173**	12,905
Provision for expected credit loss on receivables	**2,101**	37,673
Finance costs	**11,205**	4,537
Income tax expenses/(credit)	**4,697**	(6,612)
EBITDA* before ECL	**47,103**	9,656
EBITDA after ECL	**45,002**	(28,017)

* 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 2023, together with the comparative figures for the year ended 31 March 2022 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
Non-current assets			
Prepaid insurance premium		**8,783**	8,513
Property, plant and equipment		**39,371**	43,836
Intangible assets		**6,399**	6,748
Right-of-use assets	14	**26,073**	30,414
Deferred tax assets		**10,775**	11,781
Goodwill		**15,819**	16,824
Other receivables	12	**–**	2,706
Total non-current assets		**107,220**	120,822
Current assets			
Inventories		**52,825**	40,024
Trade and other receivables	12	**117,860**	129,819
Amounts due from related parties		**2,656**	1
Tax recoverable		**162**	181
Cash and cash equivalents		**20,851**	33,391
Total current assets		**194,354**	203,416
Total assets		**301,574**	324,238
Current liabilities			
Trade, bills and other payables	13	**95,132**	99,736
Amounts due to related parties		**–**	3,301
Bank borrowings		**145,593**	161,863
Lease liabilities	14	**1,045**	3,465
Tax payable		**137**	–
Total current liabilities		**241,907**	268,365
Net current liabilities		**(47,553)**	(64,949)

	Notes	**2023**	2022
	Notes	***HK$'000***	*HK$'000*
Non-current liabilities			
Loans from a shareholder		**–**	18,987
Defined benefit obligation		**2,219**	2,072
Lease liabilities	14	**4,383**	5,610
Deferred tax liabilities		**6,062**	2,359
Total non-current liabilities		**12,664**	29,028
NET ASSETS		**47,003**	26,845
Capital and reserves			
Share capital		**9,600**	8,000
Share premium		**69,741**	66,541
Reserves		**(32,338)**	(47,696)
TOTAL EQUITY		**47,003**	26,845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The registered office of the Company is located at the offices of Tricor Services (Cayman Islands) Limited, 3rd Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. Its principal place of business is 18–19/F., Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong.

The Company is an investment holding company and the Group is principally engaged in the provision of manufacturing and trading of apparel products and licensing of trademark in the markets of the United States of America ("US"), Italy and United Kingdom ("UK").

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amendments to HKAS 8 Definition of Accounting Estimates

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

(a) Statement of compliance

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

The Group had net current liabilities of approximately HK$47,553,000 as of that date. As at 31 March 2023, the Group's liabilities included bank borrowings with an outstanding principal amounting to approximately HK$145,593,000 which is repayable on demand or within one year while the cash and cash equivalents that the Group had as of that date was of approximately HK$20,851,000.

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

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future performance and liquidity of the Group in light of the above events or conditions and are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due so as to enable the Group to continue as a going concern for at least the next twelve months from the date of authorisation for issue of these consolidated financial statements based on the cash flow projections of the Group covering a period up to 30 June 2024 after taking into consideration of the following:

(i) The Group continues to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses and measures on credit control in order to enhance its ability to improve profitability and the cash flow from its operations in future. During the year ended 31 March 2023, the Group's financial performance and cash flow generated from its operations improved drastically compared to the preceding financial year;

(ii) The Group enlarged the capital base of the Company by conducting fund raising exercises such as share placement during the year ended 31 March 2023 improve the financial position of the Group and the directors of the Company would continue to consider further fund raising exercises when necessary; and

(iii) Up to the date of approval for issue of these consolidated financial statements, the Group had unutilised banking facilities related to term and revolving loans and trust receipt loan of approximately HK$66,342,000. The directors of the Company are of the opinion that it is likely that all the banking facilities can be maintained during the forecast period.

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

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

(c) Functional and presentation currency

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

4. SEGMENT INFORMATION

Operating segments

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

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

– Manufacturing and trading of apparel products.

– Licensing of trademark for licensing income.

The Group's operations are mainly located in Hong Kong, the PRC and Sri Lanka. These operating divisions are the basis of internal reports about components which are regularly reviewed by CODM, the executive directors of the Company, for the purpose of resources allocation and assessing their performance. Each of the operating division represents an operating segment and reporting segment.

Segment revenue and results

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

For the year ended 31 March 2023

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

For the year ended 31 March 2022

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

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

Segment assets and liabilities

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

For the year ended 31 March 2023

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

For the year ended 31 March 2022

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

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

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

- all liabilities are allocated to operating segments except for deferred tax liabilities.

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

Geographic information

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

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

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

Note: Others mainly include Germany, Mexico, Netherlands and Canada.

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

At 31 March 2023

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

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 and equipment	9,790	2,841	31,205	43,836
Intangible assets	6,748	–	–	6,748
Right-of-use assets	7,985	4,357	18,072	30,414
Goodwill	3,633	12,014	1,177	16,824
	36,669	19,212	50,454	106,335

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue for the years ended 31 March 2023 and 2022 is as follows:

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

5. REVENUE

Disaggregation of revenue

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

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

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

6. OTHER REVENUE

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

Note:

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

7. OTHER GAINS AND LOSSES, NET

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

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

8. PROFIT/(LOSS) BEFORE TAX

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

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

Notes:

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

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

9. INCOME TAX EXPENSES/(CREDIT)

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

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

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

Hong Kong Profits Tax for the Hong Kong subsidiaries has been provided at the rate of 16.5% on the estimated assessable profits for both years.

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

The provision for Sri Lanka Corporate Income Tax is based on the statutory rate of 30% (2022: 14%) of the assessable profit of the Sri Lanka subsidiaries of the Group for the year as determined in accordance with the Sri Lanka's Inland Revenue (Amendment) Act No. 45 of 2022 which was effective on 1 October 2022.

10. EARNINGS/(LOSS) PER SHARE

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

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

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

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

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

11. DIVIDEND

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

12. TRADE AND OTHER RECEIVABLES

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

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

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

The amounts are unsecured, interest-free and repayable on demand.

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

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

The credit period granted to the above trade debtors ranges 0–90 days from the invoice dates.

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

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

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

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

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

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

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

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

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

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

13. TRADE, BILLS AND OTHER PAYABLES

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

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

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

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

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

14. LEASES

Right-of-use assets

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

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

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

	2023	2022
	HK$'000	*HK$'000*
Expense relating to short-term leases	**672**	168
Total cash outflow for lease liabilities	**4,532**	7,954

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

Lease liabilities

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY BACKGROUND

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

As at 31 March 2023, the Group owned three production facilities; one located in the PRC and two in Sri Lanka. The Group has also outsourced its production to an approved group of factories in the Philippines since 2012. The issued shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK") since 19 October 2018.

BUSINESS REVIEW

Financial Overview

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

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

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

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

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

Revenue

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

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

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

Revenue from most of the product categories increased in unison during the Year under Review driven by robust sales orders from the major customers in the U.S.. The top-growing category in apparel were outerwear and bottom, as more people returned to work and social activities.

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

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

Other Revenue

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

Other Gains and Losses, Net

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

Selling and Distribution Costs

Selling and distribution costs for the Year under Review increased by approximately 28.5% to approximately HK$31,943,000 (2022: approximately HK$24,863,000). It was mainly due to: (1) duty and freight increased by 79.5% to approximately HK$10,358,000 (2022: approximately HK$5,770,000); (2) trip expense increased by 225.4% to approximately HK$2,245,000 (2022: approximately HK$690,000).

General and Administrative Expenses

General and administrative expenses for the Year under Review were approximately HK$49,061,000, representing a slightly decrease of approximately HK$1,753,000 from that of approximately HK$50,814,000 for the corresponding period. For the Year under Review, the depreciation charges decreased by approximately 12.0% to approximately HK$4,694,000 (2022: approximately HK$5,336,000) due to some fixed assets being fully depreciated. The auditor's remuneration decreased from approximately HK$1,280,000 for corresponding period to approximately HK$980,000 for the Year under Review.

Finance Costs

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

Income Tax Expenses/(Credit)

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

Financial Position

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

Bank borrowing decreased significantly by approximately HK$16,270,000 (approximately 10.1%) to approximately HK$145,593,000 as at 31 March 2023 (as at 31 March 2022: approximately HK$161,863,000). It was mainly due to repayment of term loans and revolving loans.

DIVIDEND

The Company did not recommend the declaration of final dividend for the year ended 31 March 2023 (2022: Nil).

OUTLOOK

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

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

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

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

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The Company manages its capital structure with the objectives of ensuring that the businesses of the Group can continue to maintain a sustainable growth and providing a long term reasonable return to its shareholders. The Group's financial position remained manageable and stable. It is anticipated that the Group has sufficient working capital to fund its future working capital, capital expenditure and other cash requirements. As at 31 March 2023, the Group had cash and bank balances amounting to approximately HK$20,851,000 (as at 31 March 2022: approximately HK$33,391,000), and current assets and current liabilities of approximately HK$194,354,000 (as at 31 March 2022: approximately HK$203,416,000) and approximately HK$241,907,000 (as at 31 March 2022: approximately HK$268,365,000) respectively. It should be noted that the current liabilities balance as at 31 March 2022 included approximately HK$480,000, the total of amounts due after one year but were included as current liabilities because of the payment on demand clause in bank loan documents.

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

As at 31 March 2023, the gearing ratio of the Group, based on total interest-bearing liabilities (primarily, bank borrowings) to total equity (including all capital and reserves) of the Company was approximately 309.75% (31 March 2022: approximately 603.0%). The decrease was a direct result of decrease in bank borrowing and improvement in the Group's net operating profit.

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group employed approximately 1,444 full-time employees (as at 31 March 2022: approximately 1,381 full-time employees) in Hong Kong, the PRC and Sri Lanka. The Group recognizes the importance of maintaining good relationship with its employees and retaining competent staff to ensure operational efficiency and effectiveness. The remuneration packages offered to the Group's employees are based on market conditions and each employee's qualifications, relevant experience, position and seniority. The Group conducts review on salary increments, bonuses and promotions based on the performance of each employee. The Group provides on-the-job training to its new employees. During the year ended 31 March 2023, the Group had not experienced any strike, any significant problems with its employees or other significant labor disputes which had materially disrupted its operation during such period, and has not experienced any difficulties in the recruitment of experienced and skilled staff.

TREASURY POLICIES AND FOREIGN CURRENCY EXPOSURE

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 March 2023, the Group has no capital commitment.

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities from the Listing Date up to the date of this announcement.

OTHER INFORMATION

Placing of New Shares Under General Mandate

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

Continuing Connected Trasnaction

Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the announcement of the Company dated 1 February 2023. On 1 February 2023, two new tenancy agreements were entered into between each of Win 18 and Win 19 as landlord, and SAL, a wholly owned subsidiary of the Company, as tenant in respect of the leasing of the Win 18 Premises and Win 19 Premises respectively. The term of each of the New Tenancy Agreements is one year commencing from 1 February 2023 to 31 January 2024, both days inclusive, with a rental of HK$130,000 per calendar month (equivalent to HK$1,560,000 per annum for each of Win 18 Premises and Win 19 Premises), exclusive of management fee, rates, government rent, utilities charges and all other outgoing charges. The Win 18 Premises and the Win 19 Premises rented under the New Tenancy Agreements are used as offices by the Group.

Change of Auditor

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

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 2023.

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 2023.

INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVE

As at 31 March 2023, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Future Commission ("SFO")) which were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to our Company and SEHK pursuant to the Model Code, were as follows:

Interests and/or short positions in our Company

Director	Nature of interest	Number of Shares held[1]	Percentage of Interest in our Company
Ms. Wong Mei Wai Alice	Interest of spouse[2]	40,100,000 (L)	16.7%

Notes:

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

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

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

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March 2023, so far as our Directors are aware, the following persons had an interest or short position in the Shares or the underlying Shares as recorded in the register required to be kept under section 336 of the SFO or which were required to be disclosed to our Company and SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Capacity/ nature of interest	Number of Shares[(1)]	Percentage shareholding
Moonlight Global Holdings Limited ("Moonlight")	Beneficial owner	40,100,000 (L)	16.70%
Mr. Siu Chi Wai	Interest of controlled corporation[(2)]	40,100,000 (L)	16.70%
Ms. Wong Mei Wai Alice	Interest of spouse[(3)]	40,100,000 (L)	16.70%

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 other person had a beneficial interest or short position in the Shares as recorded in the register required to be kept under section 336 of the SFO or the underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

FINAL DIVIDEND

The Directors do not recommend payment of any final dividend to shareholders of the Company for the year ended 31 March 2023.

EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event after the reporting period.

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. Choi Wai Hin, Mr. Tsang Ho Yin and Ms. Zhang Lingling. Mr. Choi Wai Hin is the chairperson of the Audit Committee.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 March 2023 including the accounting principles and policies adopted by the Group, and discussed internal controls and financial reporting matters.

SCOPE OF WORK OF BAKER TILLY HONG KONG 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 2023 as set out in the preliminary results announcement have been agreed by the Group's auditor, Baker Tilly Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Baker Tilly Hong Kong 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 Baker Tilly Hong Kong 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 2023 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
美臻集團控股有限公司*
Wong Mei Wai Alice
Chairperson, Executive Director and Chief Executive Officer

Hong Kong, 28 June 2023

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. Tsang Ho Yin, Ms. Zhang Lingling and Mr Choi Wai Hin are the independent non-executive Directors.

* *For identification purposes only*