# 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 2024

### FINANCIAL HIGHLIGHTS

| | For the year ended 31 March | |
|---|---|---|
| | **2024** | 2023 |
| **Operating results** *(HK$' thousand)* | | |
| **Revenue** | **571,391** | 623,433 |
| Gross profit | **91,981** | 107,184 |
| Gross profit margin | **16.1%** | 17.2% |
| Selling and distribution costs | **(24,315)** | (31,943) |
| General and administrative expenses | **(52,657)** | (49,061) |
| **Operating profit** | **7,442** | 22,028 |
| Provision for expected credit loss ("ECL") on receivables | **(25,802)** | (2,101) |
| **Net (loss)/profit for the year** | **(18,360)** | 19,927 |
| Add back: | | |
| Depreciation charges | **6,462** | 9,173 |
| Provision for ECL on receivables | **25,802** | 2,101 |
| Finance costs | **16,226** | 11,205 |
| Income tax expenses | **706** | 4,697 |
| **EBITDA* before ECL** | **30,836** | 47,103 |
| **EBITDA after ECL** | **5,034** | 45,002 |

* 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") announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2024, together with the comparative figures for the year ended 31 March 2023 as follows.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2024*

| | *Notes* | **2024** *HK$'000* | 2023 *HK$'000* |
|---|---|---|---|
| Revenue | 5 | **571,391** | 623,433 |
| Cost of sales | | **(479,410)** | (516,249) |
| **Gross profit** | | **91,981** | 107,184 |
| Other revenue | 6 | **7,757** | 10,655 |
| Other gains and losses, net | 7 | **1,608** | 1,095 |
| Selling and distribution costs | | **(24,315)** | (31,943) |
| General and administrative expenses | | **(52,657)** | (49,061) |
| Expected credit loss recognised on trade and other receivables, net | | **(25,802)** | (2,101) |
| Finance costs | | **(16,226)** | (11,205) |
| **(Loss)/profit before tax** | 8 | **(17,654)** | 24,624 |
| Income tax expenses | 9 | **(706)** | (4,697) |
| (Loss)/profit for the year | | **(18,360)** | 19,927 |
| **Other comprehensive expense, net of tax** | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange difference arising on translation of foreign operations | | **(1,132)** | (2,912) |
| Item that will not be reclassified subsequently to profit or loss: | | | |
| Remeasurement (loss)/gain on defined benefit plan for the year | | **(182)** | 56 |
| Other comprehensive expense for the year | | **(1,314)** | (2,856) |
| **Total comprehensive (expense)/income for the year attributable to owners of the Company** | | **(19,674)** | 17,071 |
| | | ***HK cents*** | *HK cents* |
| **(LOSS)/EARNINGS PER SHARE** | | | |
| **– Basic and diluted** | 10 | **(7.65)** | 9.34 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*As at 31 March 2024*

| | Notes | 2024 HK$'000 | 2023 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Prepaid insurance premium | | **9,051** | 8,783 |
| Property, plant and equipment | | **35,951** | 39,371 |
| Intangible assets | | **6,399** | 6,399 |
| Right-of-use assets | 14 | **25,521** | 26,073 |
| Deferred tax assets | | **10,072** | 10,775 |
| Goodwill | | **15,534** | 15,819 |
| **Total non-current assets** | | **102,528** | 107,220 |
| **Current assets** | | | |
| Inventories | | **28,272** | 52,825 |
| Trade and other receivables | 12 | **153,554** | 117,860 |
| Amounts due from related parties | | **–** | 2,656 |
| Tax recoverable | | **177** | 162 |
| Pledged bank deposit | | **9,984** | – |
| Cash and cash equivalents | | **26,965** | 20,851 |
| **Total current assets** | | **218,952** | 194,354 |
| **Total assets** | | **321,480** | 301,574 |
| **Current liabilities** | | | |
| Trade, bills and other payables | 13 | **90,978** | 95,132 |
| Bank borrowings | | **188,550** | 145,593 |
| Lease liabilities | 14 | **1,056** | 1,045 |
| Tax payable | | **–** | 137 |
| **Total current liabilities** | | **280,584** | 241,907 |
| **Net current liabilities** | | **(61,632)** | (47,553) |

| | Notes | **2024** *HK$'000* | 2023 *HK$'000* |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Defined benefit obligation | | **2,966** | 2,219 |
| Lease liabilities | 14 | **4,494** | 4,383 |
| Deferred tax liabilities | | **6,107** | 6,062 |
| **Total non-current liabilities** | | **13,567** | 12,664 |
| **NET ASSETS** | | **27,329** | 47,003 |
| **Capital and reserves** | | | |
| Share capital | | **9,600** | 9,600 |
| Share premium | | **69,741** | 69,741 |
| Reserves | | **(52,012)** | (32,338) |
| **TOTAL EQUITY** | | **27,329** | 47,003 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Sterling Group Holdings Limited ("the Company") was incorporated in the Cayman Islands with limited liability and its shares are 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") and Europe.

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

### (a) New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 April 2023 for the preparation of the consolidated financial statements:

| | |
|---|---|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform – Pillar Two model Rules |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |

Except as described below, 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 the consolidated financial statements.

***Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies***

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* 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 has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies in the consolidated financial statements.

***Abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong***

In June 2022, the government of the Hong Kong SAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPFLSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. The abolition of the offsetting mechanism did not have a material impact on the Group's results and financial position.

**(b) 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:

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback[2] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants[2] |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements[2] |
| Amendments to HKAS 21 | Lack of Exchangeability[3] |

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

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

**Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements**

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements, but may affect the disclosures of liabilities, cash flows and the Group's exposure to liquidity risk related to the supplier finance arrangements entered into by the Group. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for prepaid insurance premium which is 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 incurred a net loss of HK$18,360,000 for the year ended 31 March 2024 and, as of that date, the Group's current liabilities exceeded its current assets by HK$61,632,000. The Group's liabilities included bank borrowings with an outstanding principal amounting to approximately HK$188,550,000 which is repayable on demand or within one year while the Group had cash and cash equivalents of approximately HK$26,965,000 as at 31 March 2024. In addition, the Group breached covenants of its bank borrowing amounting HK$85,133,000 as at 31 March 2024, and the details of which are disclosed in the announcement of the Company dated 28 June 2024. These conditions indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

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. In order to improve the liquidity and financial position, the Group has taken measures to improve its financial position and to alleviate its liquidity pressure, which include but not limited to the following:

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

(ii) The Group has communicated with the bank about the breach of the covenant of its bank borrowings amounting to HK$85,133,000 and is currently in discussion with the relevant banks to obtain waiver from strict compliance of the financial covenants. Based on their discussion with the banks, the management of the Group consider it is likely the banks will grant the respective waivers in due course. Up to the date of approval for publication of these consolidated financial statements, the Group had unutilised banking facilities related to term and revolving loans and trust receipt loan of approximately HK$61,480,000 which are subject to annual renewal process. The directors of the Company are of the opinion that it is likely that all the banking facilities can be renewed and maintained for at least the next twelve months. Details of the breach are set out in the announcement of the Company dated 28 June 2024.

The directors of the Company consider that, after taking into account the aforementioned measures, 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. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, a material uncertainty exists as to whether the Group is able to maintain profitability from its operation and continue utilising banking facilities on a going concern basis, which incorporate assumptions about future events and conditions that are subject to inherent uncertainties.

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 amounts, to provide for future liabilities which might arise and to reclassify non-current assets and liabilities to current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

## 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, People's Republic of China ("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 2024**

| | **Manufacturing and trading of apparel products** *HK$'000* | **Licensing of trademark** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| **Segment revenue** | | | |
| Revenue from external customers | **570,736** | **655** | **571,391** |
| Segment profit | **28,897** | **618** | **29,515** |
| Interest income from banks | **492** | **–** | **492** |
| Imputed interest income from trade and other receivables | **829** | **–** | **829** |
| Finance costs | **(16,226)** | **–** | **(16,226)** |
| Depreciation of property, plant and equipment | **(4,852)** | **–** | **(4,852)** |
| Depreciation of right-of-use assets | **(1,610)** | **–** | **(1,610)** |
| Expected credit loss recognised on trade and other receivables, net | **(25,228)** | **(574)** | **(25,802)** |
| Group's loss before tax | | | **(17,654)** |

For the year ended 31 March 2023

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the adjusted earnings before interest, taxes, depreciation and impairment loss. 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 2024**

| | **Total** |
|---|---|
| | ***HK$'000*** |
| **Segment Assets** | |
| Manufacturing and trading of apparel products | **266,617** |
| Licensing of trademark | **7,665** |
| Total reportable segment assets | **274,282** |
| Unallocated assets | **47,198** |
| Consolidated total assets | **321,480** |
| **Segment Liabilities** | |
| Manufacturing and trading of apparel products | **286,736** |
| Licensing of trademark | **1,308** |
| Total reportable segment liabilities | **288,044** |
| Unallocated liabilities | **6,107** |
| Consolidated total liabilities | **294,151** |
| **Amount included in the measure of segment assets** | |
| Additions to non-current assets during the year *(Note)* | **2,532** |

For the year ended 31 March 2023

| | Total<br>*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 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, pledged bank deposit 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***

| | **2024**<br>***HK$'000*** | 2023<br>*HK$'000* |
|---|---|---|
| Hong Kong (place of domicile) | **519** | 10 |
| US | **567,791** | 609,905 |
| Italy | **–** | 7,624 |
| Others *(Note)* | **3,081** | 5,894 |
| | **571,391** | 623,433 |

*Note:* Others mainly include the United Kingdom, Germany, Mexico, Netherlands and Canada.

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

**At 31 March 2024**

| | **Hong Kong** *HK$'000* | **PRC** *HK$'000* | **Sri Lanka** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|
| Prepaid insurance premium | **9,051** | **–** | **–** | **9,051** |
| Property, plant and equipment | **8,601** | **2,127** | **25,223** | **35,951** |
| Intangible assets | **6,399** | **–** | **–** | **6,399** |
| Right-of-use assets | **5,092** | **2,709** | **17,720** | **25,521** |
| Goodwill | **3,633** | **10,748** | **1,153** | **15,534** |
| | **32,776** | **15,584** | **44,096** | **92,456** |

At 31 March 2023

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

**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 2024 and 2023 is as follows:

| | **2024** *HK$'000* | 2023 *HK$'000* |
|---|---|---|
| Customer A | **445,890** | 478,885 |

## 5. REVENUE

**Disaggregation of revenue**

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

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Sales of garments | **570,736** | 622,778 |
| Licensing and related income | **655** | 655 |
| | **571,391** | 623,433 |
| **Revenue from major products and services** | | |
| Outerwear | **243,226** | 245,423 |
| Bottoms | **208,864** | 269,453 |
| Tops | **29,153** | 37,386 |
| Others *(Note)* | **90,148** | 71,171 |
| | **571,391** | 623,433 |
| **Timing of revenue recognition:** | | |
| At a point in time | **570,736** | 622,778 |
| Over time | **655** | 655 |
| | **571,391** | 623,433 |

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

## 6. OTHER REVENUE

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **492** | 173 |
| Sample sales income | **4,219** | 3,132 |
| Claims income | **1,340** | 1,018 |
| Government grants | **66** | 1,591 |
| Imputed interest income from trade and other receivables | **829** | 3,782 |
| Others | **811** | 959 |
| | **7,757** | 10,655 |

## 7. OTHER GAINS AND LOSSES, NET

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Impairment loss of intangible assets | **–** | (349) |
| Gain on disposal of property, plant and equipment | **288** | 40 |
| Fair value changes on prepaid insurance premium | **268** | 269 |
| Exchange gain, net | **1,051** | 1,128 |
| Others | **1** | 7 |
| | **1,608** | 1,095 |

## 8. (LOSS)/PROFIT BEFORE TAX

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

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Auditor's remuneration | **980** | 980 |
| Depreciation charges *(Note (i))*: | | |
| – property, plant and equipment | **4,852** | 5,046 |
| – right-of-use assets | **1,610** | 4,127 |
| Fair value changes on prepaid insurance premium | **(268)** | (269) |
| Impairment loss of intangible assets | **–** | 349 |
| Expected credit loss recognised on trade and other receivables, net | **25,802** | 2,101 |
| Cost of inventories recognised as an expense | **405,823** | 444,488 |
| Short-term leases expenses | **4,091** | 3,830 |
| Employee costs *(Note (ii))* | **93,638** | 87,325 |

*Notes:*

(i) Depreciation charges of HK$1,883,000 (2023: HK$4,479,000) are included in cost of sales and HK$4,579,000 (2023: HK$4,694,000) are included in general and administrative expenses.

(ii) Employee costs of HK$46,527,000 (2023: HK$41,983,000) are included in cost of sales; HK$15,095,000 (2023: HK$15,413,000) are included in selling and distribution costs; and HK$32,016,000 (2023: HK$29,929,000) are included in general and administrative expenses.

## 9. INCOME TAX EXPENSES

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

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong Profits Tax | | |
| – Current provision | **–** | 137 |
| – Over provision in respect of prior years | **3** | – |
| | **3** | 137 |
| Deferred tax: | | |
| – Current year | **703** | 2,039 |
| – Attributable to a change in tax rate | **–** | 2,658 |
| Income tax expenses | **706** | 4,697 |

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.

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

The provision for Sri Lanka Corporate Income Tax ("CIT") is based on the statutory rate of 30% (2023: 30%) 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.

No Hong Kong Profits Tax, PRC EIT or Sri Lanka CIT has been provided in the consolidated financial statements for both years as the subsidiaries of the Group are either utilising brought forward tax losses or did not incur assessable profits.

## 10. (LOSS)/EARNINGS PER SHARE

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

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **(Loss)/profit** | | |
| (Loss)/profit for the year attributable to owners of the Company | **(18,360)** | 19,927 |

| | **2024** | 2023 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of calculations of basic (loss)/earnings per share | **240,000** | 213,333 |

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

## 11. DIVIDEND

The Board of directors do not recommend the payment of final dividend for the years ended 31 March 2024 and 2023.

## 12. TRADE AND OTHER RECEIVABLES

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables at amortised cost | **172,953** | 147,223 |
| Less: Loss allowances on trade receivables *(Note (a))* | **(49,322)** | (48,917) |
| Trade receivables, net *(Note (a))* | **123,631** | 98,306 |
| Prepayments | **2,484** | 2,589 |
| Other receivables *(Note (b))* | **48,962** | 30,541 |
| Utilities and sundry deposits | **674** | 724 |
| | **52,120** | 33,854 |
| Less: Loss allowances on other receivables *(Note (b))* | **(22,197)** | (14,300) |
| | **29,923** | 19,554 |
| Trade and other receivables | **153,554** | 117,860 |

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

| | 2024<br>*HK$'000* | 2023<br>*HK$'000* |
|---|---|---|
| 0–30 days | **57,793** | 64,889 |
| 31–90 days | **4,815** | 2,684 |
| 91–180 days | **2,924** | 6,533 |
| 181–365 days | **35,553** | 20,641 |
| Over 365 days | **71,868** | 52,476 |
| | **172,953** | 147,223 |
| Less: Loss allowances on trade receivables | **(49,322)** | (48,917) |
| | **123,631** | 98,306 |

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

As at 31 March 2024, included in the Group's trade receivables are gross balances HK$106,337,000 (2023: HK$56,690,000) and HK$20,830,000 (2023: HK$39,945,000) due from Santai Global Asset Management Limited ("Santai") and JP Outfitters Inc ("JPO") respectively.

During the year ended 31 March 2024, the Group entered into novation agreements with Santai and JPO (collectively the "Santai Group"), pursuant to which trade receivables of HK$50,700,000 was novated from JPO to Santai.

Loss allowance for ECL of HK$41,070,000 (2023: HK$31,531,000) and HK$6,742,000 (2023: HK$14,069,000) had been provided to trade receivables due from Santai and JPO respectively.

(b) As at 31 March 2024, included in the Group's other receivables are amounts due from Santai and JPO of HK$34,960,000 (2023: HK$25,990,000) and HK$7,900,000 (2023: HK$3,210,000) respectively. The amounts represented advances made to Santai Group which are unsecured, interest-free and repayable on demand. An executive director of the Company is also a key management personnel of JPO.

Loss allowance for ECL of HK$22,197,000 (2023: HK$12,155,000) and nil (2023: HK$2,096,000) had been provided to other receivables due from Santai and JPO respectively.

## 13. TRADE, BILLS AND OTHER PAYABLES

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **21,178** | 23,349 |
| Bills payables | **53,561** | 60,949 |
| Other payables and accruals | **16,239** | 10,834 |
| | **90,978** | 95,132 |

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:

| | **2024** | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0–30 days | **17,988** | 19,710 |
| 31–90 days | **2,714** | 1,566 |
| 91–365 days | **251** | 1,045 |
| Over 365 days | **225** | 1,028 |
| | **21,178** | 23,349 |

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 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** |
| Additions | **–** | **665** | **665** |
| Effect of modification to lease terms | **–** | **489** | **489** |
| Exchange realignment | **–** | **(161)** | **(161)** |
| **At 31 March 2024** | **25,086** | **8,533** | **33,619** |
| **Accumulated depreciation** | | | |
| At 1 April 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** |
| Depreciation charge | **579** | **1,031** | **1,610** |
| Exchange realignment | **–** | **(65)** | **(65)** |
| **At 31 March 2024** | **4,575** | **3,523** | **8,098** |
| **Carrying values** | | | |
| At 31 March 2023 | 21,090 | 4,983 | 26,073 |
| **At 31 March 2024** | **20,511** | **5,010** | **25,521** |

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 (2023: 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.

| | 2024 | 2023 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Expense relating to short-term leases | **4,091** | 3,830 |
| Total cash outflow for lease liabilities | **5,386** | 7,690 |

The Group regularly entered into short-term leases for properties and motor vehicles. At 31 March 2024 and 2023, 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** | |
|---|---|---|
| | **2024** | 2023 |
| | ***HK$'000*** | *HK$'000* |
| **Lease liabilities payable:** | | |
| Within one year | **1,056** | 1,045 |
| Within a period of more than one year but not exceeding two years | **1,221** | 1,073 |
| Within a period of more than two years but not exceeding five years | **1,386** | 1,287 |
| Within a period of more than five years | **1,887** | 2,023 |
| | **5,550** | 5,428 |
| Less: Amount due for settlement with 12 months shown under current liabilities | **(1,056)** | (1,045) |
| Amount due for settlement after 12 months shown under non-current liabilities | **4,494** | 4,383 |

The weighted average incremental borrowing rates applied to lease liabilities range from 4.08% to 8.49% (2023: 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 "US") 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 US 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 US.

As at 31 March 2024, 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

For the year ended 31 March 2024 (the "Year under Review"), revenue for the Group was approximately HK$571,391,000, which is comparable to approximately HK$623,433,000 for the year ended 31 March 2023 (the "Corresponding Period"). This decrease of 8.4% was in fact a relief and not unexpected considering the challenging macro-economic environment of high interest rates and weakening consumer confidence, as well as the decrease in the number of customers and the fact that the Group had already experienced strong compounded sales growth of about 67.9% for the last two years. In spite of the worsening business conditions and increased pricing pressure, the Group maintained a gross margin of 16.1% for the Year under Review versus the 17.2% for the Corresponding Period.

In this environment of stagnant sales growth, the Group has maintained its focus on areas of controllable expenses, an effort started and continued since the year of the pandemic three years ago. Most notably, there was a large decrease in selling and distribution expenses from approximately HK$31,943,000 in the Corresponding Period to approximately HK$24,315,000 in the Year under Review whereby the 23.9% reduction was chiefly a result of logistics costs.

The general and administrative expenses showed an increase from approximately HK$49,061,000 compared with approximately HK$52,657,000 in the Year under Review. What is particularly troubling was the significant increase in finance costs, as there is an increase of about 44.8% from approximately HK$11,205,000 in the Corresponding Period to approximately HK$16,226,000 in the Year under Review.

An expected credit loss ("ECL") recognised on trade and other receivables of approximately HK$25,802,000, mainly for Santai Global Asset Management Limited, JP Outfitters Inc and another customer of the Group in the United States of America, who filed the Chapter 11 of the United States Bankruptcy code to continue pursuing strategic alternatives in June 2023.

**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:

| | **2024** | | | 2023 | | |
|---|---|---|---|---|---|---|
| | **Revenue** | **Quantity** | **Unit Price** | Revenue | Quantity | Unit Price |
| | ***HK$'000*** | ***Pcs'000*** | ***HK$*** | *HK$'000* | *Pcs'000* | *HK$* |
| Outerwear | **243,226** | **708** | **343.5** | 245,423 | 663 | 370.2 |
| Bottom | **208,864** | **1,411** | **148.0** | 269,453 | 1,986 | 135.7 |
| Top | **29,153** | **193** | **151.1** | 37,386 | 207 | 180.6 |
| Others | **89,493** | **474** | **188.8** | 70,516 | 291 | 242.3 |
| | **570,736** | **2,826** | | 622,778 | 3,147 | |
| Licensing and related income | **655** | **–** | | 655 | – | |
| | **571,391** | **2,826** | | 623,433 | 3,147 | |

Revenue from most of the product categories decreased in unison during the Year under Review due to the decreasing sales orders from the major customers in the US and the loss of a customer in the Italian market. The sales of all kind of apparel products experienced varying degrees of decline in this environment of stagnant sales growth.

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

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Revenue** *__HK$'000__* | **% of revenue** | Revenue *HK$'000* | % of revenue |
| US | **567,791** | **99.4%** | 609,905 | 97.9% |
| Italy | **–** | **0.0%** | 7,624 | 1.2% |
| Hong Kong | **519** | **0.1%** | 10 | 0.0% |
| Others | **3,081** | **0.5%** | 5,894 | 0.9% |
| | **571,391** | **100.0%** | 623,433 | 100.0% |

**Gross Profit**

The gross profit ratio for the Year under Review was approximately 16.1% (2023: approximately 17.2%) and remained stable.

**Other Revenue**

Other revenue for the Year under Review was approximately HK$7,757,000 (2023: approximately HK$10,655,000). The decrease was due to the decrease of imputed interest income from trade and other receivables of approximately HK$829,000 during the Year under Review (2023: approximately HK$3,782,000).

**Other Gains and Losses, Net**

The net other gains amounted to approximately HK$1,608,000 (2023: approximately HK$1,095,000). It comprised chiefly of gain on disposal of property, plant and equipment of approximately HK$288,000 (2023: approximately HK$40,000) fair value changes on prepaid insurance premium of approximately HK$268,000 (2023: approximately HK$269,000) and exchanges gain of approximately HK$1,051,000 (2023: approximately HK$1,128,000).

**Selling and Distribution Costs**

Selling and distribution costs for the Year under Review decreased by approximately 23.9% to approximately HK$24,315,000 (2023: approximately HK$31,943,000). It was mainly due to significant decrease in sales and air freight costs incurred during the Year under Review.

**General and Administrative Expenses**

General and administrative expenses for the Year under Review increased by approximately 7.3% to approximately HK$52,657,000 (2023: approximately HK$49,061,000). The increase in employee costs under general and administrative expenses to approximately HK$1,909,000 largely accounted for by the payment of employee bonuses which had been curtailed since 2020.

### Finance Costs

The Group's finance costs increased by approximately 44.8% from approximately HK$11,205,000 for the corresponding period, to approximately HK$16,226,000 for the Year under Review, mainly due to the higher interest rate throughout the year.

### Income Tax Expenses

Due to the deferred taxation of the Group, there was an income tax expenses of approximately HK$706,000 for the Year (2023: income tax expenses of approximately HK$4,697,000).

### Financial Position

As at 31 March 2024, the Group's cash and cash equivalents amounted to approximately HK$26,965,000 (as at 31 March 2023: approximately HK$20,851,000). The increase was mainly due to proceeds from the bank borrowings.

Bank borrowing increased significantly by approximately HK$42,957,000 (approximately 29.5%) to approximately HK$188,550,000 as at 31 March 2024 (as at 31 March 2023: approximately HK$145,593,000). It was mainly due to the additional of trust receipts loans and the Company obtained an additional line of credit from bank over the course of the year.

## DIVIDEND

The Company did not recommend the declaration of final dividend for the year ended 31 March 2024 (2023: Nil).

## OUTLOOK

The economy of the US where the Group ships nearly 100% of our production seems to be in a much better place than last year when the market was faced with the uncertainty of rising interest rates, inflation and geopolitical conflicts. Not that those issues have all gone away, but there is better visibility of where they may lead to. The US Federal Reserve in its latest June meeting decided to keep the rate unchanged. This means that the Fed fund rates have not changed since early 2024. It appeared that inflation running at about 3.3% based on May US Consumer Price Index has come down enough for the rates not to go up but not yet low enough to start cutting rates yet, as there is still a gap to reach the Fed's 2% inflation target rate.

The market is undoubtedly expecting the interest rate to come down in 2024, especially when there is a presidential election in the US later in the year. The question is if there will be two or three cuts in the Fed Fund rate in 2024. Any decrease in the rate will bring much anticipated relief to the consumers as their cost of borrowing in mortgages, car loans and credit cards etc., will all be lower. Perhaps, this may set the stage for more ebullient consumer sentiments for the balance of the year. It's clear that we are also seeing stronger order book than that of 2023 for the spring/summer season shipping later in the year.

Another interesting development is the noticeable shift to higher end product offerings in one of the brands of our largest customer, as evidenced by their use of more expensive higher end fabrics from Europe. This bodes well for our Company as we are positioned as a premium manufacturer of better apparel products. What is gratifying is that our Sri Lanka factory, a fair-trade certified facility, is recognized for being able to offer the quality standards required of higher-price products while also meeting the ESG and CSR requirements of our customers.

Looking ahead, the Group will continue to strive for sale orders from existing and new customers, although there is always uncertainty in the global economic and geopolitical outlook, as well as how the preference for certain Country of Origin may affect our China based production. The Group will also look for other business opportunities to improve the Group's profitability and long term development.

## 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 2024, the Group had cash and bank balances amounting to approximately HK$26,965,000 (as at 31 March 2023: approximately HK$20,851,000), and current assets and current liabilities of approximately HK$218,952,000 (as at 31 March 2023: approximately HK$194,354,000) and approximately HK$280,584,000 (as at 31 March 2023: approximately HK$241,907,000) respectively.

As at 31 March 2024, there were bank borrowings of approximately HK$188,550,000 (as at 31 March 2023: approximately HK$145,593,000). The bank borrowings are mainly denominated in Hong Kong dollar and US dollar. As at 31 March 2024, the Group's interest-bearing bank borrowings carried mainly variable rate borrowings with annual interest rate of 5.40% to 7.23% (2023: 1.70%–7.70%) per annum. The Group breached covenants of its bank borrowing amounting HK$85,133,000 as at 31 March 2024 and the details of which are disclosed in the announcement of the Company dated 28 June 2024 under Rule 13.19 of the Listing Rules.

As at 31 March 2024, 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 487.0% (31 March 2023: approximately 309.75%). The increase was a direct result of increase in bank borrowing.

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 beneficially owned by a director of the Group, and (c) the personal guarantees of the same director.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2024, the Group employed approximately 1,290 full-time employees (as at 31 March 2023: approximately 1,444 full-time employees) in Hong Kong, the PRC and Sri Lanka. The Group recognizes the importance of maintaining good relationship with its employees and retaining competent staff to ensure operational efficiency and effectiveness. The remuneration packages offered to the Group's employees are based on market conditions and each employee's qualifications, relevant experience, position and seniority. The Group conducts review on salary increments, bonuses and promotions based on the performance of each employee. The Group provides on-the-job training to its new employees. During the year ended 31 March 2024, 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 2024, the Group has no material 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 during the year ended 31 March 2024.

## CHARGE ON ASSETS

As at 31 March 2024, the Group's bank deposits of approximately HK$10.0 million was pledged for the Group's banking facilities (31 March 2023: nil).

## OTHER INFORMATION

## CONTINUING CONNECTED TRANSACTION

Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the announcement of the Company dated 1 February 2024. On 1 February 2024, 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 2024 to 31 January 2025, 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.

## MAJOR AND CONNECTED TRANSACTION

Reference is made to the announcement of the Company dated 3 June 2024 (the "Announcement"). Unless otherwise defined, the captialised terms used herein shall have the same meaning as those defined.

The Company (i) made advances to Santai and/or JPO and (ii) made payments on behalf of JPO from 15 December 2022 to 27 October 2023, amounting to US$4,212,811 (equivalent to HK$32,859,926). As at the date of this announcement, the Santai Advances in the aggregate amount of US$4,212,811 (equivalent to HK$32,859,926) are still outstanding. To comply with Rule 14A.34 of the Listing Rules, as at the date of this announcement, the Company is in discussion with Santai to finalise the key terms of the Loan Agreement to set out the terms of the Santai Advances in the aggregate sum of US$4,212,811 (equivalent to approximately HK$32,859,926), including the interest rates and the collateral available to ensure the due performance by Santai of its obligations under the Loan Agreement. For further details about the Santai Advances, please refer to the Announcement.

## CONTINUING CONNECTED TRANSACTION AND CONNECTED TRANSACTION

Reference is made to the Announcement. Unless otherwise defined, the captialised terms used herein shall have the same meaning as those defined.

SAL, a wholly-owned subsidiary of the Company has executed the First Letter of Support dated 18 November 2022 in favour of JPO, pursuant to which SAL agreed (i) to continue to supply inventories (the "**Inventories**") including apparel products, and such other products of SAL as shall be agreed in writing by the parties from time to time; and (ii) not to enforce its rights to collect from JPO any trade payable for Inventories supplied until the earlier of 1 Jan 2024 or JPO receives its initial public offering proceeds (the "**Financial Assistance**"). The actual sale of Inventories supplied to JPO during the period from 18 November 2022 and ended on 23 March 2023 (the "**Supply Term**") was approximately HK$6,000,000.

To comply with Rule 14A.34 of the Listing Rules, as at the date of this announcement, the Company is in discussion with Santai and JPO to finalise the key terms of the Agreement to terminate the First Letter of Support and to set out the terms and conditions of (i) supply of Inventories; and (ii) provision of Financial Assistance, including the interest rates and the collateral available to ensure the due performance by Santai and JPO of its obligations under the Agreement. For further details about the First Letter of Support, please refer to the Announcement.

## MAJOR TRANSACTION

Reference is made to the Announcement. Unless otherwise defined, the captialised terms used herein shall have the same meaning as those defined.

SAL executed the Letters of Support in favour of JPO, pursuant to which SAL agreed, among other things, not to enforce its right to collect from JPO any trade payables of its own for Inventories supplied by SAL to JPO during a period (the "**MT Term**") starting from 13 April 2023 and ending on the date of termination of the Letter of Support (being the date of the Second Agreement) (the "**MT Trade Payables**") until (a) the earlier of 1 January 2024 or JPO receives its initial public offering proceeds (for the Letter of Support dated 13 April 2023); and (b) JPO receives its initial public offering proceeds (for the Letters of Support dated 20 September 2023 and 28 December 2023).

As at the date of this announcement, the Company is in discussion with Santai and JPO to finalise the key terms of the Second Agreement to terminate the Letters of Support and to set out the terms and conditions of (i) supply of Inventories; and (ii) provision of Second Financial Assistance, including the interest rates and the collateral available to ensure the due performance by Santai and JPO of its obligations under the Second Agreement. For further details about the Letters of Support, please refer to the Announcement. For further details about the First Letter of Support, please refer to the Announcement.

## DISCLOSEABLE AND CONNECTED TRANSACTIONS

Reference is made to the Announcement. Unless otherwise defined, the captialised terms used herein shall have the same meaning as those defined.

On 19 October 2023, SAL made payment of (i) US$400,000 (equivalent to approximately HK$3,120,000) for and on behalf of Ms. Wong to settle the consideration for the purchase of shares of JPO by Ms. Wong; and (ii) US$300,000 (equivalent to approximately HK$2,340,000) for and on behalf of Mr. Siu to settle the consideration for the purchase of shares of JPO by Mr. Siu. The above payments made by SAL for and on behalf of Ms. Wong and Mr. Siu constituted a financial assistance provided by SAL to Ms. Wong and Mr. Siu. Thereafter shortly on 24 and 25 October 2023, Ms. Wong and Mr. Siu repaid the relevant amount to SAL in full and the Group did not suffer any financial losses. In addition, each of Ms. Wong and Mr. Siu has paid interest of 7% per annum to compensate SAL for the financial assistance previously provided. For further details, please refer to the Announcement.

## MATERIAL ACQUISITIONS AND FUTURE PLANS FOR MAJOR INVESTMENT

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures during the Year under Review. In addition, as at the date of this announcement, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses.

## 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 C3 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 2024. The Group's senior management who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 March 2024.

## THE CODE OF CONDUCT AND CORPORATE GOVERNANCE

The Company confirms except for code provision C.2.1, it has met the code provisions as set out in the CG Code as contained in Appendix C1 to the Listing Rules throughout the year ended 31 March 2024.

Code provision C.2.1 requires that the roles of the chairman and chief executive officer should be separate and not be performed by the same individual. In the financial year ended 31 March 2024, Ms. Wong Mei Wai Alice acted as the chairperson and chief executive officer of the Group. She has extensive experience in the garment industry and is responsible for providing leadership to the Board, ensuring its effectiveness in setting and implementing the Group's strategy and corporate policies, monitoring day-to-day management and performance of the Group. The Board believes that vesting the roles of chairperson and chief executive officer in the same individual is beneficial to the business prospects and management of the Group. The balance of power and authorities is ensured by the operation of the Board and the senior management, which is comprised of experienced and high caliber individuals. The Board currently consists of five executive Directors and two independent non-executive Directors and has a strong independence element in its composition.

## INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVE

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 Securities and Futures Ordinance ("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 2024, 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 |
|---|---|---|---|
| Fetar Investment Limited | Beneficial owner | 40,100,000 (L) | 16.71% |
| | Beneficial owner | 40,100,000 (S) | 16.71% |

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

2. The letter "S" denotes a short position in the Shares.

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 2024.

## NON-COMPLIANCE WITH THE LISTING RULES

(a) References are made to the announcements of the Company dated 24 November 2023 and 3 June 2024 (the "**Announcements**") in relation to, among other things, the making of the Santai Advances, the continuing connected transaction, the connected transaction, the major transaction and the discloseable and connected transactions. Unless defined otherwise, the capitalised terms used herein shall have the same meanings as those defined in the Announcements.

Due to inadvertent oversight of the executive Board at the material time (being (i) the failure to consider the consideration ratio at the time of calculating the size test for the grant of the Santai Advances; (ii) mistaken belief of the executive Board at the material time that the First Letter of Support and Letters of Support were business in nature and had no transaction implications under the Listing Rules; and (iii) misconception of the executive Board at the material time that the payments made by SAL for and on behalf of Ms. Wong and Mr. Siu had no transaction implications under the Listing Rules because the payments were intended to be purely administrative and procedural and were immediately repaid), of which the independent non-executive directors of the Company had no prior knowledge and/or had not been notified with, the grant of the Santai Advances, the execution of the First Letter of Support, the Letters of Support and the financial assistance provided by SAL to Ms. Wong and Mr. Siu were not timely disclosed by the Company in accordance with the requirements under the Listing Rules, and the executive Board at the material time unintentionally and inadvertently breached the requirements under the Listing Rules.

The Company therefore made a supplemental announcement on 3 June 2024 to disclose the details of the non-compliance.

Further announcement(s) in relation to the entering into of the Loan Agreement, the Agreement and the Second Agreement will be made by the Company as and when appropriate. For details of the non-compliance, please refer to the Announcements.

(b) References are made to the announcement of the Company dated 26 June 2024, according to Rules 3.10(1) and 3.10A of the Listing Rules, the Board must include at least three independent non-executive Directors and the number of independent non-executive Directors should represent at least one-third of the Board. Following the resignation of Mr. Tsang Ho Yin, the Company only has two independent non-executive Directors, thus the number of the independent non-executive Directors falls below the minimum number required under Rules 3.10(1) and 3.10A of the Listing Rules.

As a result of the insufficient number of independent non-executive Directors, the Company has also failed to comply with the requirements set out in Rule 3.21 of the Listing Rules with regard to the minimum number of members and the composition of the Audit Committee, and the current composition of the Remuneration Committee does not meet the requirements under Rule 3.25 of the Listing Rules.

## EVENT AFTER THE REPORTING PERIOD

(a) As set out in the Company's announcement dated 3 June 2024, the Company is in discussion with Santai Group to modify the terms of the advances of approximately HK$32,860,000 made by the Group to Santai Group, which was recognised and included as other receivables as at 31 March 2024, and to modify letters of support provided by the Group in favour of JPO with new agreements which set out the terms and conditions in regard of supply of inventories and provision of financial assistance.

The modification of these advances and financial support to Santai Group are still in progress and pending to finalise the key terms, including the interest rates and the collateral available to ensure the due performance by Santai Group of its obligations due to the Group. Upon signing the new agreements in regard of these modification, the Group expects to recognise respective interest income from the advances and financial support provided to Santai Group as other income in profit or loss.

As at the date of this announcement, the potential modification as described above is yet to complete.

(b) As set out in the Company's announcement dated 26 June 2024, Mr. Tsang Ho Yin ("Mr. Tsang") has tendered his resignation as independent non-executive Director, chairman of the remuneration committee (the "Remuneration Committee") and member of each of the audit committee (the "Audit Committee"), nomination committee (the "Nomination Committee") and compliance committee of the Board, with effect from 26 June 2024.

## 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 two independent non-executive Directors, namely Mr. Chow Yun Cheung and Ms. Zhang Lingling. Mr. Chow Yun Cheung 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 2024 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, and the related notes thereto for the year ended 31 March 2024 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.

**EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT FROM THE FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 MARCH 2024**

The following is the extract of the independent auditor's report on audit of the consolidated financial statements of the Group for the year ended 31 March 2024 from Baker Tilly Hong Kong Limited, the auditor of the Group:

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Material Uncertainty related to Going Concern**

We draw attention to note 3(b) to the consolidated financial statements which indicates that the Group incurred a net loss of HK$18,360,000 for the year ended 31 March 2024 and, as of that date, the Group's current liabilities exceeded its current assets by HK$61,632,000. In addition, the Group breached financial covenants of its bank borrowing amounting to HK$85,133,000 as at 31 March 2024. These conditions, along with other matters as set out in note 3(b) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

**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 2024 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 2024

*As at the date of this announcement, Ms. Wong Mei Wai Alice is the executive Director and Chairperson, Mr. Siu Yik Ming, Mr. Chung Sam Kwok Wai, Mr. Leung Ka Wai and Mr. Ma Jian are the executive Directors, and Ms. Zhang Lingling and Mr. Chow Yun Cheung are the independent non-executive Directors.*

* *For identification purposes only*