# 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 2021

- Revenue for the year ended 31 March 2021 decreased by approximately 37.2% year-to-year to approximately HK$371,276,000, as compared with revenue of approximately HK$590,873,000 for the year ended 31 March 2020.
- Loss of the Group for the year ended 31 March 2021 amounted to approximately HK$33,253,000 (2020: loss approximately HK$58,638,000).
- EBITDA was loss of approximately HK$14,580,000 (2020: loss of approximately HK$30,450,000)
- Basic loss per Share for the year ended 31 March 2021 was 4.16 HK cents as compared with basic loss per Share of 7.33 HK cents for the year ended 31 March 2020.
- The Directors of the Company do not recommend payment of any final dividend to shareholders of the Company for the year ended 31 March 2021.
- The two controlling shareholders of the Company have granted a deed of waiver to the Company absolving it of the liability to repay the two shareholders' loans totalling HK$34,000,000 plus accrued interest.

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 2021, together with the comparative figures for the year ended 31 March 2020 as follows.

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

*For the year ended 31 March 2021*

| | Notes | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| Revenue | 6 | **371,276** | 590,873 |
| Cost of sales | | **(327,427)** | (479,501) |
| **Gross profit** | | **43,849** | 111,372 |
| Other revenue | 7 | **11,513** | 3,830 |
| Other gains and losses, net | 8 | **(1,954)** | (3,498) |
| Selling and distribution costs | | **(23,922)** | (37,923) |
| General and administrative expenses | | **(51,419)** | (70,280) |
| Expected credit loss recognised on trade and other receivables, net | | **(7,314)** | (53,067) |
| Finance costs | | **(6,033)** | (9,905) |
| **Loss before income tax** | 9 | **(35,280)** | (59,471) |
| Income tax credit | 10 | **2,027** | 833 |
| Loss for the year | | **(33,253)** | (58,638) |
| **Other comprehensive expense, net of tax** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange difference arising on translation of foreign operations | | **68** | (72) |
| Remeasurement loss on defined benefit plan for the year | | **(504)** | (142) |
| Other comprehensive expense for the year | | **(436)** | (214) |
| Total comprehensive expense for the year | | **(33,689)** | (58,852) |
| **Total comprehensive expense for the year attributable to owners of the Company** | | **(33,689)** | (58,852) |
| | | ***HK cents*** | *HK cents* |
| **LOSS PER SHARE** | | | |
| **– Basic and diluted** | 11 | **(4.16)** | (7.33) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2021*

| | Notes | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Prepaid insurance premium | | **8,246** | 7,968 |
| Property, plant and equipment | | **49,700** | 53,376 |
| Intangible assets | | **7,606** | 8,463 |
| Convertible promissory note | | **–** | 3,214 |
| Right-of-use assets | 15 | **31,321** | 37,538 |
| Deferred tax assets* | | **4,133** | 2,506 |
| Goodwill | | **18,122** | 18,148 |
| Other receivables | 13 | **11,596** | – |
| **Total non-current assets** | | **130,724** | 131,213 |
| **Current assets** | | | |
| Inventories | | **35,849** | 34,659 |
| Trade and other receivables | 13 | **149,389** | 158,731 |
| Convertible promissory note | | **3,292** | – |
| Amounts due from related parties | | **108** | – |
| Tax recoverable | | **1,363** | 1,078 |
| Cash and cash equivalents | | **63,853** | 47,836 |
| **Total current assets** | | **253,854** | 242,304 |
| **Total assets** | | **384,578** | 373,517 |
| **Current liabilities** | | | |
| Trade, bills and other payables | 14 | **76,637** | 65,609 |
| Amounts due to related parties | | **742** | 1,113 |
| Bank overdrafts | | **53** | – |
| Bank borrowings | | **237,022** | 231,439 |
| Lease liabilities | 15 | **6,229** | 8,626 |
| **Total current liabilities** | | **320,683** | 306,787 |
| **Net current liabilities** | | **(66,829)** | (64,483) |

| | Notes | **2021** | 2020 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Non-current liabilities** | | | |
| Defined benefit obligation | | **2,907** | 2,355 |
| Lease liabilities | 15 | **3,317** | 6,896 |
| Deferred tax liabilities* | | **668** | 787 |
| **Total non-current liabilities** | | **6,892** | 10,038 |
| **NET ASSETS** | | **57,003** | 56,692 |
| Share capital | | **8,000** | 8,000 |
| Share premium | | **66,541** | 66,541 |
| Reserves | | **(17,538)** | (17,849) |
| **TOTAL EQUITY** | | **57,003** | 56,692 |

* The comparative figures have been reclassified to conform to the current year's presentation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL

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

The registered office of the Company is located at the offices of Tricor Services (Cayman Islands) Limited, Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KYI-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 ultimate controlling shareholders are Moonlight Global Limited and Rainbow Galaxy Limited.

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

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

### (a) Adoption of new/revised HKFRSs

| | |
|---|---|
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKAS 39, HKFRS 7 and HKFRS 9 | Interest Rate Benchmark Reform |
| Amendments to HKFRS 16 | COVID-19-Related Rent Concessions |

None of these new or amended HKFRSs has a material impact on the Group's results and financial position for the current or prior period. The Group has elected to early applied the amendment to HKFRS 16, COVID-19-Related Rent Concessions which is originally effective for annual period beginning on or after 1 June 2020. Impact on the applications of these amended HKFRSs are summarised below.

***Amendments to HKFRS 16 – COVID-19-Related Rent Concessions***

HKFRS 16 was amended to provide a practical expedient to lessees in accounting for rent concessions arising as a result of the COVID-19 pandemic, by including an additional practical expedient in HKFRS 16 that permits entities to elect not to account for rent concessions as modifications. The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 pandemic and only if all of the following criteria are satisfied:

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(b) the reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(c) there is no substantive change to other terms and conditions of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with this practical expedient, which means the lessee does not need to assess whether the rent concession meets the definition of lease modification. Lessees shall apply other requirements of HKFRS 16 in accounting for the rent concession.

Accounting for rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs.

The Group has elected to utilise the practical expedient for all rent concessions that meet the criteria. In accordance with the transitional provisions, the Group has applied the amendment retrospectively, and has not restated prior period figure. As the rent concessions have arisen during the current financial period, there is no retrospective adjustment to opening balance of retained earnings at 1 April 2020 on initial application of the amendment.

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

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

| | |
|---|---|
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[5] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[5] |
| Amendments to HKAS 8 | Definition of Accounting Estimates[5] |
| Amendments to HKAS 12 | Deferred Tax related to assets and liabilities arising from a single transaction[5] |
| Amendments to HKAS 16 | Proceeds before Intended Use[3] |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[3] |
| Amendments to HKFRS 3 | Reference to the Conceptual Framework[4] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6] |
| Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2[1] |
| Annual Improvements to HKFRSs 2018–2020 | Amendments to HKFRS 9, Financial Instruments[3] |
| Annual Improvements to HKFRSs 2018–2020 | Amendments to HKFRS 16, Leases[3] |
| Amendments to HKFRS 16 | COVID-19-Related Rent Concessions beyond 30 June 2021[2] |

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after 1 April 2021.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.
5 Effective for annual periods beginning on or after 1 January 2023.
6 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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

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

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

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

The key amendments to HKAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;

- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

Amended HKFRS Practice Statement 2 includes guidance and two addition examples on the application of materiality to accounting policy disclosures.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the consolidated financial statements.

***Amendments to HKAS 8 – Definition of Accounting Estimates***

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainly.

The amendments also, clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the consolidated financial statements.

***Amendments to HKAS 12 – Deferred Tax related to assets and liabilities arising from a single transaction***

The amendments narrow the scope of the recognition exemption so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The directors of the Company are currently assessing the impact that the application of the amendments will have on the consolidated financial statements.

***Amendments to HKAS 16 – Proceeds before Intended Use***

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

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

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

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

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

***Amendments to HKFRS 3 – Reference to the Conceptual Framework***

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

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

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

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

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

***Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 – Interest Rate Benchmark Reform – Phase 2***

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the "Reform"). The amendments complement those issued in November 2019 and relate to (a) changes to contractual cash flows in which an entity will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the Reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate; (b) hedge accounting in which an entity will not have to discontinue its hedge accounting solely because it makes changes required by the Reform, if the hedge meets other hedge accounting criteria; and (c) disclosures in which an entity will be required to disclose information about new risks arising from the Reform and how it manages the transition to alternative benchmark rates.

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

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

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

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

***Annual Improvements to HKFRSs 2018–2020 – Amendments to HKFRS 16, Leases***

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

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

***Amendment to HKFRS 16 – Covid-19-Related Rent Concessions beyond 30 June 2021***

The 2021 Amendment to HKFRS 16 extends the availability of the practical expedient in paragraph 46A of HKFRS16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective for annual periods beginning on or after 1 April 2021 with earlier application permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group as the Group does not expect to elect to apply the practical expedient.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have significant impact on the consolidated financial statements as no rent concession has occurred up to the date of approval of these consolidated financial statements.

## 3. BASIS OF PREPARATION

### (a) Statement of compliance

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

### (b) Basis of measurement and going concern assumption

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

The Group incurred a loss of approximately HK$33,253,000 (2020: HK$58,638,000) for the year ended 31 March 2021 and had net current liabilities of approximately HK$66,829,000 (2020: HK$64,483,000) as of that date. As at 31 March 2021, the Group's liabilities included bank borrowings with an outstanding principal amounting to approximately HK$237,022,000 (2020: HK$231,439,000) which is repayable on demand while the cash and cash equivalents and the net assets that the Group had as of that date were of approximately HK$63,853,000 (2020: HK$47,836,000) and of approximately HK$57,003,000 (2020: HK$56,692,000) respectively.

Following the outbreak of the coronavirus disease 2019 ("COVID-19") in January 2020, precautionary and control measures have since been implemented in various countries, which included entry restrictions and quarantine measures over international travel and the Group's operation located in the People's Republic of China was suspended for approximate one week in February 2020 and the Group's operation located in Sri Lanka was suspended from late March to late April 2020.

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 liquidity of the Group in light of the above events or condition and are of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations for at least the next twelve months from the date of authorisation for issue of these consolidated financial statements, 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 in order to enhance its ability to improve profitability and the cash flow from its operation in future;

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

(iii) Up to the date of authorisation for issue of these consolidated financial statements, the Group had unutilised banking facilities related to term and revolving loans and trust receipt loans of approximately HK$36,075,000 and HK$164,929,000 respectively.

Based on the above, 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 have 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. CHANGE IN ACCOUNTING ESTIMATES

In accordance with the HKAS 16 – Property, Plant and Equipment and HKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the Group adjusted the useful lives of property, plant and equipment to ensure the adjusted useful lives to meet the estimates on the period that the future economic benefits. The impact on the change in the useful lives will not result in a restatement. The new useful lives applied from 1 April 2020.

From 1 April 2020, the Company changed the depreciable lives of certain property, plant and equipment, particulars of which are as follow:

| Category of fixed assets | Depreciable lives before the changes | Depreciable lives after the changes |
|---|---|---|
| Buildings | 20–50 years | 30–50 years |
| Office equipment | 5 years | 10 years |
| Furniture and fixtures | 5 years | 10 years |
| Plant and machinery | 5–10 years | 10 years |

The change has been applied prospectively and has resulted in a decrease in depreciation of approximately HK$4,817,000 for the year ended 31 March 2021.

## 5. SEGMENT INFORMATION

**Operating segments**

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

– Manufacturing and trading of apparel products.

– Licensing of trademark for licensing income.

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

**Segment results, assets and liabilities**

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

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

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

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2021 and 2020 is set out below:

| | **Manufacturing and trading of apparel products** | | **Licensing of trademark** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 | **2021** | 2020 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Revenue from external customers | **371,112** | 590,034 | **164** | 839 | **371,276** | 590,873 |
| Inter-segment revenue | **–** | – | **–** | – | **–** | – |
| **Reportable segment revenue** | **371,112** | 590,034 | **164** | 839 | **371,276** | 590,873 |
| **Reportable segment (loss)/profit** | **(8,974)** | 27,086 | **178** | (743) | **(8,796)** | 26,343 |
| Interest income | **132** | 466 | **348** | – | **480** | 466 |
| Imputed interest income from trade and other receivables | **1,829** | – | **–** | – | **1,829** | – |
| Interest expense | **(6,033)** | (9,905) | **–** | – | **(6,033)** | (9,905) |
| Depreciation of property, plant and equipment for the year | **(5,495)** | (9,669) | **–** | – | **(5,495)** | (9,669) |
| Depreciation of right-of-use assets for the year | **(9,172)** | (9,447) | **–** | – | **(9,172)** | (9,447) |
| Impairment loss (recognised)/ reversed on trade and other receivables | **(7,350)** | (53,031) | **36** | (36) | **(7,314)** | (53,067) |
| Impairment loss on intangible assets | **–** | – | **(857)** | (2,387) | **(857)** | (2,387) |
| Fair value changes on convertible promissory note | **–** | – | **78** | (1,805) | **78** | (1,805) |
| **Reportable segment assets** | **308,137** | 309,258 | **7,092** | 12,839 | **315,229** | 322,097 |
| Additions to non-current assets during the year | **1,603** | 15,808 | **–** | 10,850 | **1,603** | 26,658 |
| **Reportable segment liabilities** | **326,312** | 314,519 | **595** | 1,519 | **326,907** | 316,038 |

**Reconciliation of reportable segment revenue, profit, assets and liabilities**

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue** | | |
| Reportable segment revenue | **371,276** | 590,873 |
| **Consolidated revenue** | **371, 276** | 590,873 |
| **Profit or loss** | | |
| Reportable segment (loss)/profit | **(8,796)** | 26,343 |
| Interest income | **480** | 466 |
| Imputed interest income from trade and other receivables | **1,829** | – |
| Depreciation of property, plant and equipment for the year | **(5,495)** | (9,669) |
| Depreciation of right-of-use assets for the year | **(9,172)** | (9,447) |
| Impairment loss on trade and other receivables | **(7,314)** | (53,067) |
| Impairment loss on intangible assets | **(857)** | (2,387) |
| Fair value changes on convertible promissory note | **78** | (1,805) |
| Finance costs | **(6,033)** | (9,905) |
| Consolidated loss before taxation | **(35,280)** | (59,471) |
| **Assets** | | |
| Reportable segment assets | **315,229** | 322,097 |
| Deferred tax assets | **4,133** | 2,506 |
| Tax recoverable | **1,363** | 1,078 |
| Cash and cash equivalents | **63,853** | 47,836 |
| Consolidated total assets | **384,578** | 373,517 |
| **Liabilities** | | |
| Reportable segment liabilities | **326,907** | 316,038 |
| Deferred tax liabilities | **668** | 787 |
| Consolidated total liabilities | **327,575** | 316,825 |

**Geographic information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets, convertible promissory note (for 2020), right-of-use assets, deferred tax assets, goodwill and other receivables (non-current portion) ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of other than prepaid insurance premium, and the location to which they are managed, in the case of intangible assets.

| | **Revenue from external customers** | | **Specified non-current assets** | |
|---|---|---|---|---|
| | **2021** | 2020 | **2021** | 2020 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong (place of domicile) | **–** | – | **46,003** | 39,180 |
| USA | **349,453** | 530,309 | **–** | – |
| Italy | **18,899** | 53,919 | **–** | – |
| UK | **1,850** | 1,871 | **–** | – |
| PRC | **–** | 266 | **17,938** | 22,851 |
| Sri Lanka | **–** | – | **58,537** | 61,214 |
| Others *(Note)* | **1,074** | 4,508 | **–** | – |
| | **371,276** | 590,873 | **122,478** | 123,245 |

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

**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 2021 and 2020 is as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **277,352** | 369,990 |
| Customer B | **N/A** | 131,212 |
| Customer C | **37,539** | N/A |

## 6. REVENUE

**Disaggregation of revenue**

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

| | 2021 | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Sales of garments | **371,112** | 590,034 |
| Licensing and related income | **164** | 839 |
| | **371,276** | 590,873 |
| **Major products and services** | | |
| Outerwear | **151,776** | 268,866 |
| Bottoms | **140,194** | 198,621 |
| Tops | **36,553** | 43,042 |
| Others *(Note)* | **42,753** | 80,344 |
| | **371,276** | 590,873 |
| **Timing of revenue recognition:** | | |
| At a point in time | **371,112** | 590,034 |
| Transferred over time | **164** | 839 |
| | **371,276** | 590,873 |

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

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

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

| | 2021 | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables, net *(Note 13)* | **142,603** | 137,323 |

## 7. OTHER REVENUE

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **132** | 466 |
| Sample sales income | **1,873** | 2,874 |
| Claims income | **1,131** | 424 |
| Government grants *(Note i)* | **5,041** | 66 |
| Interest income from convertible promissory note | **348** | – |
| Imputed interest income from trade and other receivables | **1,829** | – |
| COVID-19-related rent concession | **1,000** | – |
| Others | **159** | – |
| | **11,513** | 3,830 |

*Note:*

(i) For the year ended 31 March 2021, the Group applied for government support programs introduced in response to the COVID-19 pandemic. Included in profit or loss is HK$4,267,000 (2020: Nil) of government grants obtained relating to supporting the payroll of the Group's employees from the Hong Kong Government. The Group has elected to present this government grant separately, rather than reducing the related expense. The Group had to commit to spending the assistance on payroll expenses, and not to reduce employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program. In addition, the Group received grants from the PRC local government authority amounted to RMB639,500 (approximately HK$708,000) (2020: Nil) as subsidies for Group's employee training. There were no restrictions with the use of such government grants.

## 8. OTHER GAINS AND LOSSES, NET

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Impairment of intangible assets | **(857)** | (2,387) |
| (Loss)/gain on disposal of property, plant and equipment | **(10)** | 169 |
| Fair value changes on prepaid insurance premium | **278** | (390) |
| Fair value changes on convertible promissory note | **78** | (1,805) |
| Gain on early termination of a lease | **27** | – |
| Exchange (loss)/gains, net | **(2,471)** | 915 |
| Others | **1,001** | – |
| | **(1,954)** | (3,498) |

## 9. LOSS BEFORE INCOME TAX

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

| | 2021 | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Auditor's remuneration | **1,130** | 1,180 |
| Depreciation charges: | | |
| – property, plant and equipment *(Note (i))* | **5,495** | 9,669 |
| – right-of-use assets | **9,172** | 9,447 |
| Fair value changes on prepaid insurance premium | **(278)** | 390 |
| Fair value changes on convertible promissory note | **(78)** | 1,805 |
| Impairment of intangible assets | **857** | 2,387 |
| Expected credit loss recognised on trade and other receivables, net | **7,314** | 53,067 |
| Cost of inventories recognised as expense *(Note (ii))* | **327,427** | 479,501 |
| Short-term leases expenses | **298** | 404 |
| Employee costs *(Note (iii))* | **105,316** | 143,472 |

*Notes:*

(i) Depreciation charges of HK$2,947,000 (2020: HK$6,805,000) included in direct operating costs and HK$2,548,000 (2020: HK$2,864,000) included in general and administrative expenses.

(ii) Cost of inventories recognised as expense includes HK$80,488,000 (2020: HK$130,093,000) of subcontracting charge, depreciation, amortisation charges, staff cost and manufacturing overhead, which are also included in the respective total amounts disclosed above for each type of expenses.

(iii) Employee costs of HK$60,004,000 (2020: HK$$79,025,000) included in direct operating costs; HK$14,288,000 (2020: HK$19,585,000) included in selling and distribution costs; and HK$31,024,000 (2020: HK$44,862,000) included in general and administrative expenses.

## 10. INCOME TAX CREDIT

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

| | 2021 | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong profits tax | | |
| – Current taxation | **–** | – |
| – Under provision in prior years | **–** | 663 |
| | **–** | 663 |
| Overseas profits tax | | |
| – Current taxation | **–** | 94 |
| – Over provision in prior years | **(273)** | (213) |
| | **(273)** | (119) |
| Deferred tax | | |
| – Current year | **(1,754)** | (1,377) |
| Income tax credit | **(2,027)** | (833) |

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.

For the year, Hong Kong profits tax for the Hong Kong subsidiaries has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits. A HK subsidiary of the Group has been entitled to a tax concession that 50% of the profits on the transactions made with a PRC subsidiary of the Group under the relevant contract processing arrangement are not taxable. Under the two-tiered profits tax rates regime, 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 group entities 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 provision for PRC Enterprise Income Tax ("EIT") of the subsidiary of the Group is calculated based on the statutory tax rate of 25% (2020: 25%) on the assessable profits for the year.

The provision for Sri Lanka Corporate Income Tax is based on the statutory rate of 14% (2020: 14%) of the assessable profit of the Sri Lanka subsidiaries of the Group for the year as determined in accordance with the Sri Lanka's Inland Revenue Act No. 10 of 2006 which was effective on 31 March 2006.

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss before income tax | **(35,280)** | (59,471) |
| Tax calculated at the profit tax rate of 16.5% applicable to profits | **(5,821)** | (9,813) |
| Effect of different tax rates of subsidiaries operating in other countries | **(489)** | (91) |
| Tax effect of expenses not deductible for tax purposes | **3,947** | 2,248 |
| Tax effect of revenue not taxable for tax purposes | **(1,016)** | (306) |
| (Over)/under provision in respect of prior years | **(273)** | 450 |
| Tax effect of temporary difference not recognised | **(28)** | 1,198 |
| Tax effect of tax losses not recognised | **2,540** | 6,084 |
| Utilisation of tax losses previously not recognised | **(887)** | (603) |
| Income tax credit | **(2,027)** | (833) |

## 11. LOSS PER SHARE

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Loss attributable to owners of the Company for the purposes of calculations of basic loss per share | **(33,253)** | (58,638) |

| | **2021** | 2020 |
|---|---|---|
| | ***'000*** | *'000* |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purposes of calculations of basic loss per share | **800,000** | 800,000 |

The computation of basic loss per share for the year ended 31 March 2021 is based on the loss attributable to ordinary equity shareholders of the Company of HK$33,253,000 (2020: HK$58,638,000) and the weighted average of 800,000,000 ordinary shares (2019: 800,000,000 ordinary shares) during the year.

The Company did not have any dilutive potential ordinary shares in issue for both 2021 and 2020.

## 12. DIVIDEND

The Board of directors do not recommend the payment of final dividend for the years ended 31 March 2021 and 2020.

## 13. TRADE AND OTHER RECEIVABLES

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **159,523** | 190,085 |
| Less: Loss allowances on trade receivables | **(16,920)** | (52,762) |
| Trade receivables, net *(Note 6)* | **142,603** | 137,323 |
| Prepayments | **2,491** | 3,534 |
| Other receivables *(Note)* | **20,764** | 17,285 |
| Utilities and sundry deposits | **1,650** | 1,687 |
| | **24,905** | 22,506 |
| Less: Loss allowances on other receivables *(Note)* | **(6,523)** | (1,098) |
| | **18,382** | 21,408 |
| | **160,985** | 158,731 |
| Non-current | **11,596** | – |
| Current | **149,389** | 158,731 |
| | **160,985** | 158,731 |

*Note:* Included in other receivables, an amount of HK$19,820,000 (equivalent to US$2,555,000) (2020: HK$16,921,000) is due from a non-related company which is a customer and the convertible note holder of the Group which has good business relationship with the Group as at 31 March 2021.

Loss allowance for ECL of HK$6,523,000 (2020: HK$1,098,000) that has been recognised for other receivables under ECL model as at 31 March 2021.

The amount is unsecured, interest free and repayable on demand, except for an amount of HK$11,596,000 (2020: Nil), the directors expect it will not be repaid within twelve months.

The ageing analysis of trade receivables, net of loss allowances at the end of reporting period, based on the invoice date, is as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0–30 days | **27,775** | 38,026 |
| 31–90 days | **59,919** | 57,511 |
| 91–180 days | **4,669** | 30,511 |
| 181–365 days | **26,626** | 5,254 |
| Over 365 days | **23,614** | 6,021 |
| | **142,603** | 137,323 |

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

## 14. TRADE, BILLS AND OTHER PAYABLES

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **23,935** | 21,644 |
| Bills payables | **37,941** | 30,544 |
| Other payables and accruals | **14,761** | 13,421 |
| | **76,637** | 65,609 |

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

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

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0–30 days | **18,473** | 16,843 |
| 31–90 days | **4,806** | 3,554 |
| 91–365 days | **245** | 1,244 |
| Over 365 days | **411** | 3 |
| | **23,935** | 21,644 |

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 and other payables are considered to be a reasonable approximation to their fair values.

## 15. LEASES

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

**Right-of-use assets**

| | **Leasehold land** *HK$'000* | **Properties** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|
| At 1 April 2019 | 23,329 | 22,646 | 45,975 |
| Additions | – | 1,646 | 1,646 |
| Depreciation | (580) | (8,867) | (9,447) |
| Exchange realignment | 80 | (716) | (636) |
| At 31 March 2020 and 1 April 2020 | 22,829 | 14,709 | 37,538 |
| Effect of modification to lease terms | – | 2,940 | 2,940 |
| Early termination of a lease | – | (222) | (222) |
| Depreciation | (580) | (8,592) | (9,172) |
| Exchange realignment | – | 237 | 237 |
| At 31 March 2021 | 22,249 | 9,072 | 31,321 |

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

| | **As at 31 March** | |
|---|---|---|
| | **2021** | 2020 |
| | ***HK$'000*** | *HK$'000* |
| Leasehold land leased for own use, carried at depreciated cost | **22,249** | 22,829 |
| Properties leased for own use, carried at depreciated cost | **9,072** | 14,709 |
| | **31,321** | 37,538 |

**Lease Liabilities**

| | **Properties** |
|---|---|
| | *HK$'000* |
| At 1 April 2019 | 23,280 |
| Additions | 1,646 |
| Interest expense | 1,057 |
| Lease payments | (9,735) |
| Exchange realignment | (726) |
| At 31 March 2020 and 1 April 2020 | 15,522 |
| Effect of modification to lease terms | 2,940 |
| Early termination of a lease | (249) |
| Interest expense | 698 |
| Lease payments | (8,617) |
| COVID-19-related rent concessions *(Note)* | (1,000) |
| Exchange realignment | 252 |
| At 31 March 2021 | 9,546 |

*Note:* The Group has received rent concessions from lessors due to COVID-19 pandemic in the form of rent relief (e.g. reductions in rent contractually due under the terms of lease agreements). As disclosed in Note 2(a), the Group has elected to apply the practical expedient introduced by the amendment to HKFRS 16 to all rent concessions that satisfy the criteria. All of the rent concessions entered into during the year ended 31 March 2021 satisfy the criteria to apply the practical expedient. The application of the practical expedient has resulted in the reduction of total lease liabilities of HK$1,000,000. The effect of this reduction has been recorded in profit or loss in the period in which the event or condition that triggers those payments occurs.

Future lease payments are due as follows:

| | Minimum lease payments<br>*HK$'000* | Interest<br>*HK$'000* | Present value of minimum lease payments<br>*HK$'000* |
|---|---|---|---|
| **31 March 2021** | | | |
| Within one year | **6,607** | **378** | **6,229** |
| Later than one year but within two years | **601** | **242** | **359** |
| Later than two years but within five years | **1,525** | **603** | **922** |
| Over five years but within twenty years | **7,451** | **5,415** | **2,036** |
| | **16,184** | **6,638** | **9,546** |
| **31 March 2020** | | | |
| Within one year | 9,302 | 676 | 8,626 |
| Later than one year but within two years | 3,966 | 338 | 3,628 |
| Later than two years but within five years | 1,644 | 649 | 995 |
| Over five years but within twenty years | 7,871 | 5,598 | 2,273 |
| | 22,783 | 7,261 | 15,522 |

The present value of future lease payments is analysed as:

| | **As at 31 March 2021**<br>***HK$'000*** | As at 31 March 2020<br>*HK$'000* |
|---|---|---|
| Current liabilities | **6,229** | 8,626 |
| Non-current liabilities | **3,317** | 6,896 |
| | **9,546** | 15,522 |

## 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 U.S. and certain European countries such as the U.K. with their products sold around the world. In particular, the Group has established a long standing relationship with its largest customer who 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 a high-end fashion brand from U.S., a well-known U.K. luxury brand and an American retailer business outfitters division supplying flight crew uniforms for U.S. airlines. In March 2020, the Group has entered into a direct vendor agreement with a company listed on the NASDAQ Capital Market pursuant to which the Group has become the exclusive supplier of apparel products under its proprietary brands for five years.

As at 31 March 2021, the Group owned three production facilities; one located in the PRC and two, in Sri Lanka. The Group has also outsourced its production to an approved group of factories in the Philippines since 2012. The Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK") on 19 October 2018.

## BUSINESS REVIEW

### Financial Overview

In early 2020, the coronavirus disease 2019 ("COVID-19") began causing severe disruptions to the supply chain across Asian countries, as many garment factories, fabric mills and accessories factories were shut down. By late March 2020, many states in the U.S. implemented lockdown of businesses and schools, stay-at-home orders and travel restrictions. Business bankruptcies, shop closures and layoffs in countless companies were widespread. One of the major customers of the Group filed Chapter 11 protection on 4 May 2020. The airlines uniform orders quickly dried up as nearly all flights were grounded. In the second quarter of 2020, the economy plunged into the sharpest and deepest recession since the depression in the U.S.

For the year ended 31 March 2021 (the "Year under Review"), the Group's revenue decreased by about 37.2% to approximately HK$371,276,000 from approximately HK$590,873,000 for the year ended 31 March 2020 as a result of customers promptly reducing their orders for both the Fall/Winter season in 2020 and Spring/Summer 2021. The gross profit margin of the Group decreased from 18.8% for the year ended 31 March 2020 to 11.8% for the Year under Review mainly due to lockdown of the Company's factories in first quarter and second quarter intermittently.

The loss for the Year under Review amounted to approximately HK$33,253,000 (2020: loss approximately HK$58,638,000). As a result of the cost control measures implemented during the Year under Review, the Group's general and administrative expenses decreased by approximately HK$18,861,000 comparing with that for the year ended 31 March 2020. Also, the significant loss for the year ended 31 March 2020 was attributable to the exceptionally large expected credit loss on trade and other receivables of approximately HK$53,067,000 (largely due to the largest customer filing for Chapter 11 reorganisation) while that for the Year under Review amounted to HK$7,314,000, as a result of much slower settlement of receivables of a customer impacted by COVID-19.

The EBITDA for the Year under Review was loss of approximately HK$14,580,000, compared with loss of approximately HK$30,450,000 for the year ending 31 March 2020.

## DIVIDEND

The Company did not recommend the declaration of final dividend for the year ended 31 March 2021 (2020: Nil).

### Sales by Product Categories

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

During the Year, the sales volume of the Group amounted to approximately 2,048,000 pieces of finished apparel products (2020: approximately 2,750,600 pieces). The decrease in sales volume is mainly attributable to the sharply reduced orders for the Fall/Winter season in response to the COVID-19 contraction in consumer spending. The sales volume of bottoms and outerwear decreased by approximately 13.3% and 53.0% from approximately 1,372,100 and 869,400 pieces for the year ended 31 March 2020 to approximately 1,189,700 and 408,600 pieces for the Year under Review respectively. The average selling price per piece of outerwear, bottoms, tops and others amounted to approximately HK$373.7, HK$117.8, HK$246.8 and HK$149.4 respectively for the Year under Review and approximately HK$309.3, HK$144.8, HK$218.4 and HK$259.5 respectively for the year ended 31 March 2020.

### Other Revenue

Other revenue for the Year under Review was approximately HK$11,513,000 (2020: HK$3,830,000). The increase was attributable to government grants of approximately HK$5,041,000 mainly from the Hong Kong Government and PRC local government authority for the employment support and the rent concession of approximately HK$1,000,000 during the COVID-19 period.

**Other Gains and Losses, Net**

The net other losses amounted to approximately HK$1,954,000 (2020: loss of approximately HK$3,498,000). It comprised chiefly of impairment of intangible assets of HK$857,000 (2020: HK$2,387,000), fair value gain on convertible promissory note of HK$78,000 (2020: a loss of HK$1,805,000), net exchange loss of HK$2,471,000 (2020: a gain of HK$915,000).

**Selling and Distribution Costs**

Selling and distribution costs for the Year under Review decreased by approximately 36.9% to approximately HK$23,922,000 (2020: approximately HK$37,923,000). It was mainly due to the Group implementing a staff retrenchment program to relocate some of the merchandising functions in the Hong Kong office to the Group's factory in China starting from the second quarter of 2020. In addition, freight and handling costs were also lower which was in line with decrease in sales turnover. Reduced costs in overseas travelling also contributed to the decrease in selling expenses.

**General and Administrative Expenses**

General and administrative expenses for the Year under Review were approximately HK$51,419,000, representing a decrease of approximately HK$18,861,000 from that of approximately HK$70,280,000 for the year ended 31 March 2020. During the Year under Review, the Group implemented various cost control measures including salary reduction and staff layoffs. The staff cost for the Year under Review amounted to approximately HK$31,024,000, representing a decrease of approximately HK$13,838,000 from approximately HK$44,862,000 for the year ended 31 March 2020. For the Year under Review, the depreciation of property, plant and equipment was approximately HK$5,495,000, a decrease of 43.2% from that of approximately HK$9,669,000 for the year ended 31 March 2020. The decrease was mainly due to the changes in depreciable lives of certain fixed assets of the Group for accounting purposes with effect from 1 April 2020. The changes are as follows:

| Category of fixed assets | Depreciable lives before the changes | Depreciable lives after the changes |
|---|---|---|
| Buildings | 20–50 years | 30–50 years |
| Office Equipment | 5 years | 10 years |
| Furniture & Fixtures | 5 years | 10 years |
| Plant & Machinery | 5–10 years | 10 years |

**Finance Costs**

The group's finance costs decreased by approximately 39.1% from approximately HK$9,905,000 for the year ended 31 March 2020, to approximately HK$6,033,000 for the Year under Review, mainly due to the gradual decrease in interest rate throughout the year.

### Income Tax Credit

Due to the loss incurred by the Group, there was an income tax credit of approximately HK$2,027,000 for the Year (2020: income tax credit approximately HK$833,000).

### Financial Position

As at 31 March 2021, the Group's cash and cash equivalents amounted to approximately HK$63,853,000 (2020: approximately HK$47,836,000). The increase was mainly attributable to proceeds from the shareholders' loans of HK$34,000,000.

Bank borrowing increased slightly by approximately HK$5,583,000 (approximately 2.4%) to approximately HK$237,022,000 as at 31 March 2021 (2020: approximately HK$231,439,000). It was mainly attributable to the slight increase in trust receipt loans at 31 March 2021 as the 2021 Fall season orders are greater than that for 2020.

## OUTLOOK

If news headlines in early 2020 were inundated with infection rates of COVID-19 and how the pandemic spread has gravely impacted economies around the world, the focus towards the end of 2020 and 2021 thus far has been how quickly vaccines can be rolled out to allow resumption of normal economic activities. According to Organisation for Economic Co-operation and Development's economic outlook in March 2021, a fast vaccine rollout is critical to a strong economic recovery. Of the major developed countries, U.S. is by far the leading country in vaccination with 316 million doses administered by June 2021 underpinning its robust economic recovery in the first quarter which is expected to continue for the balance of the year finishing 2021 at a real GDP growth of over 6%. With the US market accounting for over 90% of our sales revenue, it is reasonable to assume that barring a resurging COVID variant, the most severe disruption to the Company's operations from this pandemic may now be behind us.

Against this backdrop of a strong U.S. economy in 2021, we see the Company's sales revenue recovering in coming year after enduring a fall-off of about 37.2% from approximately HK$590,873,000 in 2019/20 to about approximately HK$371,276,000 in 2020/2021, or an overall decrease of 19.5% from all other customers not counting the airlines business. Moreover, there are fundamental changes from this pandemic that warrant the Company's strategic response, although it's not knowable at the moment how long these changes may last. First, the airline uniform business which generated total revenue of about HK$270 million in 2017/18, 2018/19 and 2019/20 is unlikely to return anytime soon. Widespread vaccination in the U.S. may bring consumers back to the malls or the restaurants, but air travel may still be a long way from returning to the pre-COVID-19 level especially international travel when there is such a huge disparity in vaccination rates among different countries, not to speak of the uncertainty surrounding the different "COVID passports". Second, the traditional office dress code such as suits, blazers, jackets, dresses and pants may also turn more casual as remote work and virtual meetings are here to stay for the foreseeable future. So the Company may see more casual wear orders instead of the higher-priced and more tailored apparels. Third, e-commerce as a percentage of total retail sales has grown over three times in 2020 relative to the average growth rate for the past five years. Companies that have embraced a digital strategy early will likely fare better than their peers.

To respond to changing market demand in this post-pandemic world, the Company expects a further broadening of the product range that we manufacture and source. While the Company's accent is always on better quality and workmanship in our products, we already see a change in sales mix towards the more casual apparels with larger volume but at lower selling prices. Furthermore, to continue the cost saving measures – chiefly headcount reduction throughout the Company and salary rollback – initiated in early 2020 in response to COVID-19 and the Chapter 11 filing of the largest customer, the Company is planning to relocate its factory in Panyu, China in late 2021 to a much smaller space with targeted payroll of about 100 employees from about 300 at present or 600 two years ago, at an estimated annual savings of about HK$20 million. The Panyu factory will serve as our technical & product development, sample making center, a merchandising back office and special production lines for high-end apparels.

As the Company is paring its overheads to achieve a lower breakeven volume, it has decided to diversify its revenue base by entering into the online direct-to-consumer market by launching a sub-brand JP by J. Peterman, taking advantage of (a) the fast fashion fatigue and the desire for more sustainable clothing with more individuality; (b) the permanent shift to digital consumption in the post-pandemic world, with e-commerce in China showing the largest proportion of retail sales at 27%; (c) the existing management infrastructure from design to technical, product development, manufacturing and sourcing. The Company appreciates developing an apparel brand business is fraught with risks and we remain hopeful that the advent of e-commerce lowers the high cost of retailing typically associated with brick-and-mortar stores.

To enable the Company to stand on a firmer financial footing, the two controlling shareholders of the Company has granted a deed of waiver to the Company discharging its obligation to repay two shareholder's loans totaling HK$34 million in principal plus accrued interest charges. The unwavering support from the controlling shareholders underwrites the Company's commitment to overcome the challenges in this uncertain post-pandemic environment.

## 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 2021, the Group had cash and bank balances amounting to approximately HK$63,853,000 (31 March 2020: approximately HK$47,836,000), and current assets and current liabilities of approximately HK$253,854,000 (as at 31 March 2020: approximately HK$242,304,000) and HK$320,683,000 (as at 31 March 2020: approximately HK$306,787,000) respectively. It should be noted that the current liabilities balance as at 31 March 2021 included approximately

HK$5,130,000 (2020: approximately HK$13,603,000), 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 2021, there were bank borrowings of approximately HK$237,022,000 (as at 31 March 2020: approximately HK$231,439,000). Up to the date of this announcement, there were unutilized bank facilities related to term and revolving loans and trust receipt loans of approximately HK$36,075,000 and HK$164,929,000 respectively. The bank borrowings are mainly denominated in Hong Kong dollar and US dollar. As at 31 March 2021, the Group's interest-bearing bank borrowings carried mainly variable rate borrowings with annual interest rate of 0.51% to 4.75% (2020: 1.1%–5.0%) per annum.

## GEARING RATIO

As at 31 March 2021, 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 415.8% (31 March 2020: approximately 408.2%).

## PLEDGE OF ASSETS

The bank borrowings of the Group are secured by (a) certain assets of the Group, (b) 18th and 19th floors of Win Plaza, San Po Kong, Kowloon owned by two related companies which share common directors and shareholders of the Group, and (c) the personal guarantees of the two controlling shareholders, one of their spouses who's also a director, and a related party of the other controlling shareholder who together with that controlling shareholder jointly owns a related company.

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

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

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group employed approximately 1,584 full-time employees (as at 31 March 2020: approximately 2,279 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 2021, the Group had not experienced any strike, any significant problems with its employees or other significant labor disputes which had materially disrupted its operation during such period, and has not experienced any difficulties in the recruitment of experienced and skilled staff.

The Group had implemented a 30% reduction in the salary of all the employees, and directors' fees for a period of 3 months with effect from 1st April 2020. In addition, in June 2020, the Group had conducted a staff retrenchment to reduce the number of employees and people cost in Hong Kong while migrating some of the functions in the Hong Kong office to the Group's factories in China and Sri Lanka.

## 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. It carries out foreign currency transactions in United States Dollars ("US$"), Euro ("EUR"), Renminbi ("RMB") and Sri Lankan Rupees ("LKR"), which expose the Group 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 in the future in order to mitigate any risks arising from foreign exchange fluctuations.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2021, the Group has no capital commitment and contingent liabilities.

## OTHER INFORMATION

## USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

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

As set out in the announcement of the Company dated 26 November 2020 regarding the change in use of proceeds, the Board of the Company, having considered the change in business environment and development of the Group, and in particular the impact of the outbreak of the COVID-19 on the global business environment, resolved to change the use of the unused Net Proceeds. Set out below is the revised allocation of the unutilized net proceeds as disclosed in such announcement.

| | Percentage of net proceeds | Revised approximate percentage of net proceeds | Unutilised amount of net proceeds up to the date before re-allocation | Revised allocation of unutilised net proceeds after re-allocation | Unutilised amount as at the date of this announcement |
|---|---|---|---|---|---|
| | | | *HK$' million* | *HK$' million* | *HK$' million* |
| Expanding and refurbishing production facilities located in Sri Lanka and the PRC | 30% | 20.4% | 5.2 | 0 | 0 |
| Repayment of bank borrowings | 25% | 25% | 0 | 0 | 0 |
| Acquisitions of production facilities | 25% | 0% | 13.6 | 0 | 0 |
| Upgrading information technology system, lean manufacturing and productivity improvement programs | 10% | 0.2% | 5.3 | 0 | 0 |
| General working capital | 10% | 54.4% | 0 | 24.1 | 0 |
| Net Proceeds | 100% | 100% | 24.1 | 24.1 | 0 |

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

During the year ended 31 March 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

The Company has adopted the Model Code as set out in Appendix 10 to the 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 2021.

## THE CODE OF CONDUCT AND CORPORATE GOVERNANCE

The Company confirms it has met the required standards as set out in the CG Code as contained in Appendix 14 to the Listing Rules throughout the year ended 31 March 2021.

## NON-COMPETITION UNDERTAKING

Each of CFL Global (Comercial Offshore De Macau) Limitada, C.F.L. Enterprise Limited, Rainbow Galaxy Limited ("Rainbow Galaxy") and Mr. Choi Siu Wai William, and each of Moonlight Global Holdings Limited ("Moonlight"), Mr. Siu Chi Wai, Ms. Wong Mei Wai Alice, and Mr. Siu Yik Ming have confirmed to the Company of his/her/its compliance with the non-competition undertakings provided to the Company under two separate deeds of non-competition both dated 21 September 2018 (the "Deeds of Non-competition"). The INEDs have reviewed the status of compliance and it was confirmed that all the undertakings under the Deeds of Non-competition had been complied with by the above-mentioned persons and duly enforced during the period ended 31 March 2021.

## INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVE

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

### Interests and/or short positions in the Company

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

*Notes:*

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

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

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

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

## INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at the date of this announcement, so far as the Directors are aware, the following persons had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company and SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO:

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

*Notes:*

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

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

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

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

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

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

Save as disclosed above, as at the date of this announcement, the Directors are not aware of any person who had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company and SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## FINAL DIVIDEND

The Directors of the Company do not recommend payment of any final dividend to shareholders of the Company for the year ended 31 March 2021.

## IMPORTANT EVENT AFTER REVIEW PERIOD

As at the date of this announcement, the existing share of the Company are traded on the Stock Exchange of Hong Kong in board lots of 10,000 existing shares of par value of HK$0.01 each and there are 800,000,000 existing shares of par value of HK$0.01 each in issue which are fully paid or credited as fully paid. It was proposed that every four issued and unissued existing shares of par value of HK$0.01 each in the share capital of the Company be consolidated into one consolidated share of par value of HK$0.04 each. It was proposed that subject to the share consolidation becoming effective, the board lot size for trading on the Stock Exchange be changed from 10,000 existing shares of par value of HK$0.01 each to 2,500 consolidated shares of par value of HK$0.04 each. The implementation of the share consolidation is conditional upon (i) the passing of an ordinary resolution by the shareholders of the Company at extraordinary general meeting of the Company ; (ii) the Stock Exchange granting the listing of, and permission to deal in , the consolidated shares upon the share consolidation becoming effective (which has been fulfilled); (iii) the compliance with the relevant procedures and requirements under the applicable laws of the Cayman Islands and the Rules Governing the Listing of Securities on the Stock Exchange.

## AUDIT COMMITTEE REVIEW

The Company has established the Audit Committee in accordance with the requirements of the CG Code for the purpose of reviewing and supervising the Group's financial reporting process. The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Chan Kee Huen Michael, Mr. Cheng King Hoi Andrew and Mr. Ko Ming Tung Edward. Mr. Chan Kee Huen Michael is the chairman of the Audit Committee.

The Audit Committee of the Company has reviewed the Group's audited consolidated financial statements for the year ended 31 March 2021 including the accounting principles and policies adopted by the Group, and discussed internal controls and financial reporting matters.

## SCOPE OF WORK OF BDO LIMITED ON THE PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2021 as set out in the preliminary results announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary results announcement.

## PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.sterlingapparel.com.hk. The annual report of the Company for the year ended 31 March 2021 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***
**Choi Siu Wai, William**
*Chairman*

Hong Kong, 28 June 2021

*As at the date of this announcement, Ms. Wong Mei Wai Alice, Mr. Siu Yik Ming and Mr. Chung Sam Kwok Wai are the executive Directors, Mr. Choi Siu Wai William is the non-executive Director and Chairman, and Mr. Chan Kee Huen Michael, Mr. Cheng King Hoi Andrew and Mr. Ko Ming Tung Edward are the independent non-executive Directors.*

* *For identification purposes only*