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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

- Revenue for the year ended 31 March 2019 decreased by approximately 5.2% year-to-year to approximately HK$641,733,000, as compared with revenue of approximately HK$676,856,000 for the year ended 31 March 2018.
- Loss attributable to owners of the Company for the year ended 31 March 2019 amounted to approximately HK$22,670,000 (2018: profit attributable to owners of the Company approximately HK$20,012,000).
- Basic loss per Share for the year ended 31 March 2019 was 3.29 HK cents as compared with basic earnings per Share of 3.34 HK cents for the year ended 31 March 2018.
- The Directors of the Company do not recommend payment of any final dividend to shareholders of the Company for the year ended 31 March 2019.

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 2019, together with the comparative figures for the year ended 31 March 2018 as follows.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Revenue	5	**641,733**	676,856
Cost of sales		**(548,834)**	(552,029)
Gross profit		**92,899**	124,827
Other revenue	6	**4,807**	4,880
Other gains and losses, net		**398**	1,578
Selling and distribution costs		**(41,048)**	(43,194)
General and administrative expenses		**(62,257)**	(50,283)
Listing expenses		**(8,937)**	(6,069)
Operating profit		**(14,138)**	31,739
Finance costs	7	**(7,984)**	(5,892)
(Loss)/profit before income tax expense	8	**(22,122)**	25,847
Income tax expense	9	**(548)**	(5,835)
(Loss)/profit for the year		**(22,670)**	20,012
Other comprehensive income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**993**	17
Remeasurement gain/(loss) on defined benefit plan for the year		**378**	(118)
Other comprehensive income/(expense) for the year		**1,371**	(101)
Total comprehensive (expense)/income for the year		**(21,299)**	19,911
(Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company		**(21,299)**	19,911
		HK cents	*HK cents*
(LOSS)/EARNINGS PER SHARE			
– Basic	10	**(3.29)**	3.34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Non-current assets			
Prepaid insurance premium		**8,358**	7,966
Property, plant and equipment		**49,738**	59,864
Payment for leasehold land held for own use under operating lease		**23,329**	23,907
Deferred tax assets		**321**	15
Goodwill	12	**17,803**	16,792
Total non-current assets		**99,549**	108,544
Current assets			
Inventories		**37,094**	39,742
Trade and other receivables	13	**169,698**	143,676
Amounts due from related parties		**–**	4,272
Tax recoverable		**3,605**	1,720
Cash and cash equivalents		**75,687**	66,536
Total current assets		**286,084**	255,946
Total assets		**385,633**	364,490
Current liabilities			
Trade, bills and other payables	14	**77,305**	84,486
Amounts due to shareholders		**–**	8,428
Amount due to a related party		**–**	1,049
Bank borrowings		**190,443**	197,176
Income tax payable		**268**	2,565
Total current liabilities		**268,016**	293,704
Net current assets/(liabilities)		**18,068**	(37,758)
Non-current liabilities			
Defined benefit obligation		**2,073**	2,252
Total non-current liabilities		**2,073**	2,252
NET ASSETS		**115,544**	68,534

	Notes	**2019** ***HK$'000***	2018 *HK$'000*
Capital and reserves attributable to owners of the Company			
Share capital	14	**8,000**	–*
Share premium		**66,541**	–
Reserves		**41,003**	68,534
TOTAL EQUITY		**115,544**	68,534

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND REORGANISATION

(a) General information

Sterling Group Holdings Limited ("The Company") was incorporated in the Cayman Islands on 6 June 2017, as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 19 October 2018.

The registered office of the Company is located at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY11111, Cayman Islands. Its principal place of business is 18–20/F., Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong. The ultimate controlling shareholders are Moonlight Global Limited ("Moonlight") and Rainbow Galaxy Limited ("Rainbow Galaxy").

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

(b) Reorganisation

Pursuant to a group reorganisation which was completed on 21 June 2018 as detailed in the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 29 September 2018 (the "Prospectus"), the Company became the holding company of the subsidiaries comprising the Group.

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

(a) Adoption of new/revised HKFRSs – effective 1 April 2018

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to HKFRSs 2014–2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions

A HKFRS 9 – Financial Instruments

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment and (3) hedge accounting. The adoption of HKFRS 9 from 1 April 2018 has resulted in changes in accounting policies of the Group and the amounts recognised in the consolidated financial statements.

(i) Classification and measurement of financial instruments

HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no impact on the Group's accounting policies related to financial liabilities and derivative financial instruments as there is no such financial instruments of the Group. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

The following tables summarised the impact, net of tax, of transition to HKFRS 9 on the opening balance of retained earnings as of 1 April 2018 as follows (increase/(decrease)):

	HK$'000
Retained earnings as at 1 April 2018	58,570
Increase in expected credit losses ("ECLs") in trade receivables *(Note 2A(ii) below)*	(278)
Increase in expected credit losses in deferred tax assets *(Note 2A(ii) below)*	46
Restated retained earnings as at 1 April 2018	58,338

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset at fair value through profit or loss ("FVTPL"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("amortised cost"); (ii) financial assets at fair value through other comprehensive income ("FVTOCI"); or (iii) FVTPL (as defined above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed and (ii) its contractual cash flow characteristics (the "solely payments of principal and interest" criterion, also known as "SPPI criterion"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions are met and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Amortised cost would be applied to the Group's financial assets. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

The following accounting policies would be applied to the Group's financial assets as follows:

FVTPL	FVTPL is subsequently measured at fair value. Changes in fair value, dividends and interest income are recognised in profit or loss.
Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(a) The Group's prepaid insurance premium of HK$8,107,000 were previously classified as loan and receivables placed for life insurance policy and measured at amortised cost under HKAS 39. Under HKFRS 9, as prepaid insurance premium whose cash flow characteristics fail to meet the SPPI criterion. As a result, prepaid insurance premium has been classified and measured as financial assets at FVTPL. As at 1 April 2018, the difference between the carrying amount and the fair value of the prepaid insurance premium is immaterial, no transition adjustment against the opening balance of equity at 1 April 2018 was made.

The following table summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial instruments as at 1 April 2018:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 1 April 2018 under HKAS 39 *HK$'000*	Carrying amount as at 1 April 2018 under HKFRS 9 *HK$'000*
Prepaid insurance Premium	Loans and receivables	FVTPL	8,107	8,107
Trade and other receivables	Loans and receivables	Amortised cost	128,914	128,636
Amounts due from related parties	Loans and receivables	Amortised cost	4,272	4,272
Cash and cash equivalents	Loans and receivables	Amortised cost	66,536	66,536

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("ECLs") model". HKFRS 9 requires the Group to recognise ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVTOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 365 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt instruments at FVTOCI, the loss allowance is recognised in other comprehensive income, instead of reducing the carrying amount of the assets.

Impact of the ECL model

(I) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance as at 1 April 2018 was determined as follows for trade receivables as follows:

1 April 2018	Current	Less than 3 months past due	More than 3 months but less than 6 months past due	More than 6 months but less than 12 months past due	More than 1 years past due	More than 2 years past due	Total
Expected credit loss rate *(%)*	0.1%	0.5%	2.0%	5.0%	10%	100%	–
Gross carrying amount *(HK$'000)*	99,551	20,472	2,413	476	41	–	122,953
Loss allowance *(HK$'000)*	100	102	48	24	4	–	278

The increase in loss allowance for trade receivables upon the transition to HKFRS 9 as of 1 April 2018 were HK$278,000. The loss allowances further increased by HK$515,000 for trade receivables during the year ended 31 March 2019.

(II) Impairment of other receivables

For other financial assets carried at amortised cost, the expected credit loss is based on the 12-month expected credit loss. It is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss is immaterial as at 1 April 2018.

As a result of the above changes, the impact of the new HKFRS 9 expected credit loss model results in additional loss allowance as follow:

	HK$'000
Loss allowance as at 1 April 2018 under HKAS 39	–
Expected credit loss recognised for trade receivables	278
Loss allowance as a 1 April 2018 under HKFRS 9	278

(iii) Hedge accounting

Hedge accounting under HKFRS 9 has no impact on the Group as the Group does not apply hedge accounting in its hedging relationships.

(iv) Transition

The Group has applied the transitional provision in HKFRS 9 such that HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new ECLs rules are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the consolidated statement of financial position on 1 April 2018. This mean that differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 2018 does not reflect the requirements of HKFRS 9 but rather those of HKAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application of HKFRS 9 (the "DIA"):

- The determination of the business model within which a financial asset is held;
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
- The designation of certain investments in equity investments not held for trading as at FVTOCI.

If an investment in a debt investment had low credit risk at the DIA, then the Group has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

B HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15")

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to each performance obligation
Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or services is regarded as being transferred over time:

(a) when the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

(b) when the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

(c) when the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15, the entity recognises revenue for the sale of that goods or services at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

Nature of the goods, satisfaction of performance obligations and payments

The Group recognise revenue from the sales of apparel products.

Sales are recognised when control of the products has been transferred, being when the products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. There is generally only one performance obligation in the contract.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Invoices are usually payable within 60 days.

Nature of change in accounting policy and impact on 1 April 2018

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in changes in accounting policies.

In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated.

The Group assessed the impacts of adopting HKFRS 15 on its financial statements. Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's revenue recognition.

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new or revised 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.

HKFRS 16	Leases[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 (Revised) and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKFRS 3 (Revised)	Definition of Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Annual Improvements to HKFRSs 2015–2017 Cycle	Amendments to HKAS 23, Borrowing Costs[1]

[1] Effective for annual periods beginning on or after 1 April 2019

[2] Effective for annual periods beginning on or after 1 April 2020

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

HKFRS 16 – Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

The total operating lease commitment of the Group in respect of rented premises as at 31 March 2019 amounted to HK$33,240,000 in which HK$32,654,000 were with original lease term over 1 year. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases at its present value upon the application of HKFRS 16. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term.

The directors of the Group do expect recognition of right-of-use assets and lease liabilities in the consolidated statement of financial position will materially affect certain items on statement of financial position of the Group, resulting in a potential increase in net current liabilities. As for the financial performance impact in the consolidated statements of profit or loss and other comprehensive income, rental and related expenses will decrease, while depreciation and amotisation expense and finance costs will increase and will not have material impact on the overall financial results of the Group over the entire lease terms of the lease contracts. These estimates are based on accounting policies, assumptions, judgements and estimation techniques that may be subject to change until the Group finalises its financial statements for the year ending 31 March 2020.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at FVTOCI if specified conditions are met – instead of at FVTPL.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015–2017 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

The Group has already commenced an assessment of the impact of adopting the above standards and amendments to existing standards to the Group. Except as HKFRS 16 described above, the directors of the Company anticipate that the application of other new and amendments to HKFRSs and an interpretation will have no material impact on the Group's financial performance and positions and/or the disclosures to the financial statements of the Group.

3. BASIS OF PREPARATION

(a) Basis of presentation

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

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

(c) Functional and presentation currency

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

4. SEGMENT INFORMATION

Operating segments

The Group was principally engaged in the manufacturing and trading of apparel products. 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. Accordingly, the Group has only one business segment and no further analysis of this single segment is considered necessary.

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

Segment revenues and results

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

	2019 *HK$'000*	2018 *HK$'000*
Major products		
Outerwear	**242,126**	221,688
Bottoms	**249,076**	286,345
Tops	**32,980**	38,178
Others *(Note a)*	**117,551**	130,645
Total	**641,733**	676,856
Primary geographical markets		
USA	**582,997**	626,779
Italy	**39,519**	21,953
UK	**11,680**	19,799
Others *(Note b)*	**7,537**	8,325
	641,733	676,856
Timing of revenue recognition		
At a point in time	**641,733**	676,856
Transferred over time	**–**	–
	641,733	676,856

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

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

Information about the Group's non-current assets

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

	2019 *HK$'000*	2018 *HK$'000*
Hong Kong	**16,984**	21,628
PRC	**14,504**	16,353
Sri Lanka	**59,703**	62,597
	91,191	100,578

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 2019 and 31 March 2018 is as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**445,511**	339,548
Customer B	**130,073**	285,342

5. REVENUE

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

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

	As at 31 March 2019	As at 1 April 2018	As at 31 March 2018
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	**152,891**	122,675	122,953

6. OTHER REVENUE

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**82**	20
Imputed interest income from prepaid insurance premium	**–**	293
Sample sales income	**3,789**	4,048
Claims income	**936**	519
	4,807	4,880

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings		
– trust receipt loans	**3,758**	3,588
– term and revolving loans	**4,224**	2,303
– bank overdraft	**2**	1
	7,984	5,892

8. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

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

	2019	2018
	HK$'000	*HK$'000*
Auditor's remuneration	**1,180**	485
Depreciation of property, plant and equipment *(Note (i))*	**11,618**	11,296
Amortisation of payment for leasehold land held for own use under operating lease *(Note (ii))*	**578**	570
Amortisation of prepaid insurance premium	**–**	222
Fair value changes on prepaid insurance premium	**251**	–
Expected credit loss on trade receivables	**515**	–
Imputed interest income from prepaid insurance premium	**–**	(293)
Cost of inventories recognised as expense *(Note (iii))*	**548,834**	552,029
Listing expenses	**8,937**	6,069
Reversal of written down of inventories	**(5)**	(74)
Minimum lease payment under operating lease in respect of		
– Motor vehicles	**531**	536
– Land and buildings	**4,475**	1,062
Employee costs *(Note (iv))*	**137,879**	135,122

(i) For the years ended 31 March 2019 and 2018, depreciation charges of HK$7,874,000 and HK$7,074,000 were included in direct operating costs and HK$3,744,000 and HK$4,222,000 were included in general and administrative expenses respectively.

(ii) For the years ended 31 March 2019 and 2018, amortisation charges of HK$357,000 and HK$349,000 were included in direct operating costs and HK$221,000 and HK$221,000 were included in general and administrative expenses respectively.

(iii) For the years ended 31 March 2019 and 2018, cost of inventories recognised as expense includes HK$140,680,000 and HK$118,351,000 of subcontracting charge, depreciation, amortisation charges, staff cost and manufacturing overhead, which are also included in the respective total amounts disclosed above for each types of expenses.

(iv) For the years ended 31 March 2019 and 2018, employee costs of HK$77,518,000 and HK$75,381,000 were included in direct operating costs; HK$20,855,000 and HK$27,036,000 were included in selling and distribution costs; and HK$39,506,000 and HK$32,705,000 were included in general and administrative expenses respectively.

9. INCOME TAX EXPENSE

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

	2019	2018
	HK$'000	*HK$'000*
Hong Kong profits tax		
– Current taxation	**–**	6,785
– Under provision in prior years	**360**	566
	360	7,351
Overseas profits tax		
– Current taxation	**398**	328
– Under/(over) provision in prior years	**50**	(532)
	448	(204)
Deferred tax		
– Current year	**(260)**	(1,312)
Income tax expense	**548**	5,835

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% (2018:16.5%) on the estimated assessable profits. A HK subsidiary of the Group has been entitled to a concessionary tax rate of 50% (2018: 50%) on the transactions made with a PRC subsidiary of the Group under the relevant contract processing arrangement. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. 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% (2018:25%) on the assessable profits for the year.

The provision for Sri Lanka Corporate Income Tax is based on the statutory rate of 14% (2018: 12%) 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.

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year ended 31 March 2019. The weighted average number of ordinary shares used for such purpose has been retrospectively adjusted for the effect of the issue of shares in connection with the capitalisation of shares which took place on 19 October 2018.

	2019	2018
	HK$'000	*HK$'000*
Earnings		
(Loss)/profit attributable to owners of the Company for the purposes of calculations of basic earnings per share	**(22,670)**	20,012

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of calculations of basic earnings per share	**689,864**	600,000

The weighted average number of ordinary shares for such purpose has been retrospectively adjusted for the effects of the issue of Shares in connection with the Reorganisation Issue and Capitalisation Issue (as defined in Note 15).

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

11. DIVIDEND

	2019	2018
	HK$'000	*HK$'000*
Dividend for ordinary shareholders of the Company recognised as distribution during the year:		
2018 Interim dividend	**–**	18,000

During the year ended 31 March 2018, an interim dividend of HK$18,000,000 was recognised as distribution by Sterling Apparel Limited ("SAL"), a wholly-owned subsidiary of the Group, to its then shareholders, being the Controlling Shareholders. No rate of dividend is presented as it is not considered meaningful for the purpose of this report.

The Board of directors do not recommend the payment of final dividend for the year ended 31 March 2019.

12. GOODWILL

	2019	2018
	HK$'000	*HK$'000*
At the beginning of the year	**16,792**	16,792
Exchange differences	**1,011**	–
At the end of the year	**17,803**	16,792

13. TRADE AND OTHER RECEIVABLES

	As at 31 March 2019 *HK$'000*	As at 1 April 2018 *HK$'000*	As at 31 March 2018 *HK$'000*
Trade receivables	**153,684**	122,953	122,953
Less: loss allowances *(Note)*	**(793)**	(278)	–
Trade receivables, net	**152,891**	122,675	122,953
Prepayments	**14,356**	14,621	14,621
Deferred listing expenses	**–**	3,073	3,073
Prepaid insurance premium	**–**	–	141
Other receivables	**721**	1,077	1,077
Utilities and sundry deposits	**1,730**	1,811	1,811
	169,698	143,257	143,676

Note: Upon adoption of HKFRS 9, an opening adjustment as at 1 April 2018 was made to recognise additional provision on trade receivables.

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

	2019 *HK$'000*	2018 *HK$'000*
0 – 30 days	**59,379**	73,908
31 – 90 days	**76,677**	44,460
91 – 365 days	**16,162**	4,492
Over 365 days	**673**	93
	152,891	122,953

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

14. TRADE, BILLS AND OTHER PAYABLES

	2019 *HK$'000*	2018 *HK$'000*
Trade payables	**40,407**	28,023
Bills payables	**24,927**	41,121
Other payables and accruals	**11,971**	15,342
	77,305	84,486

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:

	2019	2018
	HK$'000	*HK$'000*
0 – 30 days	**22,215**	13,713
31 – 90 days	**18,057**	13,186
91 – 365 days	**106**	567
Over 365 days	**29**	557
	40,407	28,023

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. SHARE CAPITAL

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

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

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

	Number of shares	Nominal value of ordinary shares	Share premium
		HK$	*HK$*
Authorised			
As 1 April 2017	–	–	–
Increase during the year	38,000,000	380,000	–
As 31 March 2018	38,000,000	380,000	–
Issued and fully paid			
As 1 April 2017	–	–	–
Increase during the year *(Note a)*	2	–*	–
As 31 March 2018	2	–*	–

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

Note a: On 6 June 2017 (date of incorporation), 2 shares of HK$0.01 were allotted and issued.

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

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

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

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

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. The Group secured two new major customers, including an American retailer of casual wear based in the mid-west of the U.S. in 2015 and a well-known U.K. luxury brand in 2016. Furthermore, in 2016/2017, the Group collaborated with the above-mentioned American retailer to supply flight crew uniforms for a U.S. airline.

As at 31 March 2019, the Group owned three production facilities; one located in the PRC and two in Sri Lanka.

The Company was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK") on 19 October 2018. The Listing represents an important milestone to the Group and will greatly benefit the Group's further development in the future.

BUSINESS REVIEW

Financial Overview

During the year ended 31 March 2019 (the "Year" or "current reporting period"), the Group's revenue decreased by approximately 5.2% to approximately HK$641,733,000 from approximately HK$676,856,000 for the year ended 31 March 2018. The decrease was mainly attributable to the timing of our large flight crews uniforms programs. For the year ended 31 March 2018, we completed the shipment of a substantial flight crews uniforms program, while shipment for another large new uniform program will not begin until about July 2019, much later than the fabric commitment date in August 2018. The capacity freed up from the uniform business was mostly taken up by orders from our two largest customers during the year, limiting the decrease in sales revenue to about approximately HK$35,123,000 for the year. The gross profit and gross profit margin for the Year was approximately HK$92,899,000 (2018: approximately HK$124,827,000) and approximately 14.5% (2018: approximately 18.4%). The reason for the decrease was mainly twofold. First, U.S. retailers in responding to the market trend for lower apparel prices have been pushing to lower their product sourcing costs, which translate into lower gross margin for manufacturers. Likewise, the Group faced the same kind of pricing pressure on our gross margin, especially relative to that of the airline uniform program in 2017/18. Second, to ensure full utilization of the capacity in the Group's own factories vacated by the completion of the large uniform program, the Group has accepted orders of more casual construction with a lower profit margin which were also not the best use of our factories' capability, being more adapted to making tailored fashion garments.

While the Group has made some progress in the current reporting period compared with the prior year, the Group incurred additional listing expenses of approximately HK$2,868,000, and additional general and administrative costs in the amount of about approximately HK$11,974,000, principally made up of office rental and people costs (absorbing management headcounts from factories and directors' fees).

The loss attributable to owners of the Company for the Year amounted to approximately HK$22,670,000 (2018: profit approximately HK$20,012,000), which included the remaining balance of approximately HK$8,937,000 in listing expenses charged in the current year. The net loss before tax expenses of approximately HK$22,122,000 would become approximately HK$13,185,000 from recurring operations excluding non-recurring listing expenses. Adding back total depreciation expenses and amortisation of payment for leasehold land totalling approximately HK$12,196,000 and interest charges of approximately HK$7,984,000 would yield an EBITDA* of approximately HK$6,995,000, which is a non-GAAP measure and a proxy for a company's operating performance.

DIVIDEND

The Company did not recommend the declaration of final dividend for the year ended 31 March 2019 (2018: Nil).

Sales by Product Categories

The Group's apparel products can generally be divided into four categories, namely (i) outerwear (include mainly jackets, coats and blazers and are chiefly made from wool and wool blend), (ii) bottoms (include pants, shorts and skirts, and are chiefly made from cotton, wool and wool blend), (iii) tops include mainly shirts, blouses and tank tops, and are chiefly made from cotton, polyester, triacetate and lyocell and (iv) other products (mainly dresses, suits, gown scarf, jumpsuits and vests, and are chiefly made of cotton, wool and wool blend). During the Year, the sales volume of the Group amounted to approximately 3,830,000 pieces of finished apparel products (2018: approximately 4,373,000 pieces). The decrease in sale volume is mainly attributable to the decrease in sale volume of bottom. The sales volume of bottoms decreased by approximately 17.4% from approximately 2,782,000 pieces for the year 31 March 2018 to approximately 2,297,000 pieces for the Year. The average selling price of the products was approximately HK$167.6 per piece of finished apparel products

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

(2018: approximately HK$154.8 per piece). The average selling price per piece of outerwear, bottoms, tops and others amounted to approximately HK$334.3, HK$108.4, HK$180.3 and HK$191.4 respectively for the year ended 31 March 2019, and approximately HK$329.9, HK$102.9, HK$144.6 and HK$199.5 respectively for the year ended 31 March 2018.

Selling and Distribution Costs

Selling and distribution costs for the Year decreased by 5.0% to approximately HK$41,048,000 (2018: approximately HK$43,194,000). The decrease was largely a result of reduced headcount in merchandising department in Hong Kong and sampling expenses, offset by an increase in logistics cost largely from late deliveries.

General and Administrative expenses

General and administrative expenses for the Year was approximately HK$62,257,000, representing an increase of HK$11,974,000 from that of HK$50,283,000 for the year ended 31 March 2018. The higher expenses mainly stem from office rental, and people costs (absorbing management headcounts from factories and directors' fees).

Finance Costs

The group's finance costs increased by approximately 35.5% from approximately HK$5,892,000 for the year ended 31 March 2018, to approximately HK$7,984,000 for the Year. The increase in finance costs was mainly due to increases in interest rate of the Group's borrowings during the Year.

Income tax expenses

Income tax expenses primarily consist of current and deferred income tax at the applicable tax rate in accordance with the relevant laws and regulations in Hong Kong, the PRC and Sri Lanka. An income tax expense for the Year was approximately HK$548,000, representing a decrease of 90.6% from that of the year ended 31 March 2018, chiefly a result of the loss for the Year. In addition, a relatively large income tax expense for the year ended 31 March 2018 was partially due to the one off effect of over estimation on income tax refund in previous years.

Financial Position

As at 31 March 2019, the Group's cash and cash equivalents amounted to approximately HK$75,687,000 (2018: approximately HK$66,536,000). The slight increase mainly came from the proceeds from the Share Offer in October 2018 net of some planned usage during the Year and the reduction of our interest-bearing borrowings.

Borrowing decreased by approximately HK$6,733,000 (approximately 3.4%) to approximately HK$190,443,000 as at 31 March 2019 (2018: approximately HK$197,176,000). The decrease was mainly due to the repayment of some bank borrowings by the proceeds from Share Offer in October 2018.

OUTLOOK

Looking ahead, barring major upheavals in the US – China trade front which could have unintended consequences such as disrupting our supply chain or tightening of bank credit, we have reasons to be confident of our return to profitability in the current year 2019/20. While the total sales revenue is forecast to be in the similar range as that of last year, one significant difference is the large order of flight crew uniforms which because of the long lead time and order size lends itself to better and more efficient production planning. There were a number of one-off expense items and incidents in last year which will not likely repeat in the current year. More importantly, our planned rationalization of Panyu factory's production should start to bear fruit starting in the second half of the year, although the benefits may be somewhat offset by the one-time redundancy costs. Sri Lanka production efficiency, expressed as greater value output per unit cost of input, is also set to increase in the current year as a result of certain capital improvements and production orders that are a better match with the factory's capability. All in all, given the level of sales in our forecast in the coming year, the management is focused and committed to significantly improve our operating performance relative to the Year.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The Company manages its capital structure with the objectives of ensuring that the businesses of the Group can continue to maintain a sustainable growth and providing a long term reasonable return to its Shareholders. The Group's financial position remained healthy and stable. The Group generally finances its operations primarily through bank borrowings and internal resources. Following the completion of the Share Offer in October 2018, the net proceeds from the Share Offer has provided additional funds for the Group's business development and operating needs. 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 2019, the Group had cash and bank balances amounting to approximately HK$75,687,000 (as at 31 March 2018: approximately HK$66,536,000), and current assets and current liabilities of approximately HK$286,084,000 (as at 31 March 2018: approximately HK$255,946,000) and HK$268,016,000 (as at 31 March 2018: approximately HK$293,704,000) respectively. It should be noted that the current liabilities balance as at March 31, 2019 included approximately HK$23,700,000 (2018: approximately HK$54,300,000), 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. Following the completion of Share Offer in October 2018, the Group turned from net current liabilities position as at 31 March 2018 to net current asset position as at 31 March 2019.

As at 31 March 2019, there were bank borrowings of approximately HK$190,443,000 (as at 31 March 2018: HK$197,176,000) and unutilized bank facilities of HK$57,706,000. These bank borrowings obtained and repaid are mainly denominated in Hong Kong dollar and US dollar. As at 31 March 2019, the Group's interest-bearing bank borrowings carried mainly variable rate borrowings with annual interest rate of 2.5% to 5.1% per annum and are repayable by installments over a period of one to three years.

GEARING RATIO

As at 31 March 2019, the gearing ratio of the Group, based on total interest-bearing liabilities (primarily bank borrowings) to total equity (including all capital and reserves) of the Company was 164.8% (31 March 2018: 287.7%). The decrease in gearing ratio was mainly attributable to the completion of the Share Offer in October 2018.

PLEDGE OF ASSETS

The bank borrowings of the Group are secured by (a) certain assets of the Group, (b) the asset of 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. The carrying amounts of the pledge assets of the Group are as follows:

	2019	2018
	HK$'000	*HK$'000*
Prepaid insurance premium of a Key Person Insurance policy	**8,358**	8,107

Prior to the Group's listing in October 2018, all the banks that the Group did business with had committed in writing to removing all the personal guarantees mentioned above. The said personal guarantees have all been removed as of 31 March 2019 with the exception of a bank, the provider of the majority of our bank facilities, which has taken longer than anticipated for the release because of the uncertain prevailing business conditions with respect to the trade dispute and its impact on the U.S. apparel market. Another bank agreed in February 2019 to release the personal guarantee after a retention period of normally six more months.

SIGNIFICANT INVESTMENT

As at 31 March 2019, the Group did not hold any significant investment.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 March 2019, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group employed 2,087 full-time employees (as at 31 March 2018: 1,895 full-time employees) in Hong Kong, the PRC and Sri Lanka. The Group recognises the importance of maintaining good relationship with its employees and retaining competent staff to ensure operational efficiency and effectiveness. The remuneration packages offered to the Group's employees are based on market condition 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 2019, the Group had not experienced any strike, any significant problems with its employees or other material labour disputes which had materially disrupted its operation during such period, 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 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 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.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

At 31 March 2019, 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.

	Percentage of net proceeds	Planned usage of net proceeds	Utilised net proceeds up to 31 March 2019	Unutilised net proceeds up to 31 March 2019
			HK$' million	*HK$' million*
Expanding and refurbishing production facilities located in Sri Lanka and the PRC	30%	16.3	0.5	15.8
Repayment of bank borrowings	25%	13.6	13.6	0
Acquisitions of production facilities	25%	13.6	0	13.6
Upgrading information technology system, lean manufacturing and productivity improvement programs	10%	5.4	0	5.4
General working capital	10%	5.5	5.5	0
Net Proceeds		54.4	19.6	34.8

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

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

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

The Company has adopted the Model Code as rules governing dealings by the Directors in the listed securities of the Company on 19 October 2018. Based on specific enquiry with the Directors, all the Directors have compiled with the required standards as set out in the code conduct and the Model Code since the Listing Date and up to the date of this announcement.

THE CODE OF CONDUCT AND CORPORATE GOVERNANCE

As the Shares were not listed on the Stock Exchange until 19 October 2018, the Company has adopted the CG Code since the Listing Date. The Company confirms it has met the required standards as set out in the CG Code since the Listing Date and up to the date of this announcement.

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 seperate deeds of non-competition both dated 21 September 2018 (the "Deeds of Non-competition). The INEDs have reviewed the status of compliance and 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 2019.

AUDIT COMMITTEE

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 has reviewed the audited consolidated financial statements for the year ended 31 March 2019 together with the management and external auditor including the accounting principles and policies adopted by the Group, and discussed internal controls and financial reporting matters.

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. 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. 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 2019.

IMPORTANT EVENTS AFTER THE REVIEW PERIOD

Subsequent to 31 March 2019 and up to the date of this report, an indirect wholly owned subsidiary of the Group as the buyer, entered into the Intellectual Property Agreement ("IPA") on 31 May 2019 pursuant to which the seller has agreed to sell, assign, transfer, convey and deliver the purchased intellectual property to the buyer at the consideration of US$1,400,000 in cash. On the same day, the buyer (as licensor) and the seller (as licensee) entered into the license agreement pursuant to which the buyer grants to the non-related seller the right to utilise the licensed intellectual property of the buyer under the IPA in the manufacturing, marketing, sale and distribution of products solely within the Territory defined in the license agreement. The seller shall pay to the buyer a royalty based on a percentage of sales with a minimum annual amount of USD120,000 pursuant to the license agreement. The announcement of the Group dated 31 May 2019 may be referred to for further details of the transaction.

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 income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 March 2019 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 Standard on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the preliminary results announcement.

CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

With effect from 11 July 2019, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited (the "Branch Share Registrar"), will change its address from Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong to

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

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 2019 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, 26 June 2019

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 purpose only*