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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2023	2022
Operating results *(HK$'000)*		
Revenue	**322,182**	337,736
Gross profit	**51,105**	52,789
Gross profit margin	**15.9%**	15.6%
Selling and distribution costs	**(12,914)**	(18,652)
General and administrative expenses	**(26,526)**	(23,495)
Operating profit	**7,161**	11,328
Expected credit loss recognised on trade and other receivables, net ("ECL")	**(15,121)**	–
(Loss)/Profit for the period	**(7,960)**	11,328
Add back:		
Depreciation charges	**3,534**	5,127
Finance costs	**8,082**	4,399
Income tax expense	**–**	–
EBITDA* after ECL	**3,656**	20,854
Add: Expected credit loss recognised on trade and other receivable, net	**15,121**	–
EBITDA before ECL	**18,777**	20,854

* EBITDA represents the profit before income tax expense, adding back finance costs, depreciation of property, plant and equipment and depreciation of right-of-use assets. 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.

The board (the "Board") of directors (the "Directors") of Sterling Group Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2023 (the "Period under Review"), together with the comparative figures for the six months ended 30 September 2022 (the "Corresponding Period"). These condensed consolidated interim financial statements have not been audited, but have been reviewed by the audit committee of the Board (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 September	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	5	**322,182**	337,736
Cost of sales		**(271,077)**	(284,947)
Gross Profit		**51,105**	52,789
Other revenue		**4,567**	3,603
Other (losses)/gains, net		**(989)**	1,482
Selling and distribution costs		**(12,914)**	(18,652)
General and administrative expenses		**(26,526)**	(23,495)
Expected credit loss recognised on trade and other receivables, net		**(15,121)**	–
Finance costs	6	**(8,082)**	(4,399)
(Loss)/Profit before income tax expense		**(7,960)**	11,328
Income tax expense	7	**–**	–
(Loss)/Profit for the period	8	**(7,960)**	11,328
Other comprehensive (loss)/income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**1,281**	(2,210)
Remeasurement loss on defined benefit plan		**–**	(34)
Other comprehensive income/(loss) for the period		**1,281**	(2,244)
Total comprehensive (loss)/income for the period		**(6,679)**	9,084
		HK cents	*HK cents*
(Loss)/Earnings per share – Basic and diluted	10	**(3.32)**	5.66

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 September 2023** *HK$'000* **(Unaudited)**	At 31 March 2023 *HK$'000* (Audited)
Non-current assets			
Prepaid insurance premium		**8,888**	8,783
Property, plant and equipment		**38,371**	39,371
Intangible assets	11	**6,399**	6,399
Right-of-use assets		**25,121**	26,073
Goodwill		**15,819**	15,819
Deferred tax assets		**10,775**	10,775
Total non-current assets		**105,373**	107,220
Current assets			
Inventories		**33,708**	52,825
Trade and other receivables	12	**132,183**	117,860
Amount due from related parties		**1,107**	2,656
Tax recoverable		**164**	162
Cash and cash equivalents		**15,138**	20,851
Total current assets		**182,300**	194,354
Total assets		**287,673**	301,574
Current liabilities			
Trade, bills and other payables	13	**107,539**	95,132
Bank borrowings		**127,083**	145,593
Lease liabilities		**992**	1,045
Tax payable		**137**	137
Total current liabilities		**235,751**	241,907
Net current liabilities		**(53,451)**	(47,553)

	Notes	At 30 September 2023 HK$'000 (Unaudited)	At 31 March 2023 HK$'000 (Audited)
Non-current liabilities			
Defined benefit obligation		**2,187**	2,219
Lease liabilities		**3,775**	4,383
Deferred tax liabilities		**5,636**	6,062
Total non-current liabilities		**11,598**	12,664
NET ASSETS		**40,324**	47,003
Capital and reserves			
Share capital	14	**9,600**	9,600
Share premium	14	**69,741**	69,741
Reserves		**(39,017)**	(32,338)
TOTAL EQUITY		**40,324**	47,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$") as the management of the Group consider HK$ can provide more meaningful information to the Company's investors.

These condensed consolidated interim financial statements have not been audited or reviewed by the auditor of the Company.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair values.

These condensed consolidated interim financial statements are presented in Hong Kong dollars, unless otherwise stated. These condensed consolidated interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the 2023 annual financial statements.

In preparing the condensed consolidated financial statements, the Directors of the Company have given careful consideration to the future liquidity of the Group 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 condensed consolidated financial statements.

The Directors of the Company are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

3. ESTIMATES

The preparation of the interim financial statements in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense on a year to date basis. Actual results may differ from these estimates.

4. PRINCIPAL ACCOUNTING POLICIES

The accounting policies applied in the condensed interim financial information of the Group for the six months ended 30 September 2023 are consistent with those adopted in the consolidated financial statements for the year ended 31 March 2023, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The below amended standards, improvements and accounting guideline became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards, improvements and accounting guideline.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17	Insurance Contracts

(b) New and amended standards that have been issued but are not yet effective

The following interpretation and amendments to existing standards, which are considered appropriate and relevant to the Group's operations, have been issued but are not effective for the year ending 31 March 2024 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (amendment)	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendment)	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
HK Int 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	1 January 2024

5. SEGMENT INFORMATION

Operating segments

The Group is 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 People's Republic of China (the "PRC") and Sri Lanka.

Segment revenue 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.

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of apparel products	**322,182**	337,736
Licensing and related income	**–**	–
	322,182	337,736
Major products		
Outerwear	**165,874**	149,539
Bottom	**117,549**	125,808
Top	**14,698**	26,399
Others *(Note a)*	**24,061**	35,990
	322,182	337,736
Primary geographical markets		
USA	**320,240**	322,352
Hong Kong	**395**	10,130
Italy	**–**	3,992
Others *(Note b)*	**1,547**	1,262
	322,182	337,736

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
At a point in time	**322,182**	337,736
Transferred over time	**–**	–
	322,182	337,736

Notes:

a. Others mainly includes other products like dresses, suits, jumpsuits and vests.

b. Others mainly includes the Germany, Canada, and the Netherlands.

Information about the Group's non-current assets

The geographical location of the 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.

	At 30 September 2023	At 30 September 2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong	**33,424**	35,100
PRC	**15,912**	17,344
Sri Lanka	**45,262**	48,290
	94,598	100,734

6. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank borrowings		
– trust receipt loans	**7,326**	3,569
– term and revolving loans	**581**	562
Interest expenses on lease liabilities	**175**	268
	8,082	4,399

7. INCOME TAX EXPENSE

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

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong profits tax	**–**	–
Oversea profits tax	**–**	–
Deferred tax	**–**	–
	–	–

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

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

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

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

8. (LOSS)/PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**2,717**	2,822
Depreciation of right-of-use assets	**817**	2,305
Fair value changes on prepaid insurance premium	**(106)**	(106)
Employee costs (including directors' emoluments)	**48,218**	46,118
Government grants*	**–**	(1,006)
Interest income*	**(705)**	(10)

* Included in other revenue.

9. DIVIDENDS

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividends	**–**	–

The Board of directors do not recommend the payment of interim dividend for the six months ended 30 September 2023 and 2022.

10. (LOSS)/EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 September 2023 and 2022.

	Six months ended 30 September	
	2023	2022
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/Profit		
(Loss)/Profit for the period attributable to owners of the Company	**(7,960)**	11,328

	Six months ended 30 September	
	2023	2022
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of calculations of basic and diluted earnings per share	**240,000**	200,000
	HK cents	*HK cents*
(Loss)/Earnings per share		
– Basic and diluted	**(3.32)**	5.66

The weighted average number of ordinary shares for the purpose of basic earnings per share for the six months ended 30 September 2023 has been adjusted for the share placement on 5 December 2022.

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

11. INTANGIBLE ASSETS

	At 30 September 2023 *HK$'000* (Unaudited)	At 31 March 2023 *HK$'000* (Audited)
Trademark		
Cost	**10,850**	10,850
Less: Impairment	**(4,451)**	(4,451)
At the end of the period/year	**6,399**	6,399

The J. Peterman trademark services the J. Peterman worldwide operations and is separately identifiable. It is considered to have an indefinite useful life and will not be amortised.

Impairment tests for trademark with indefinite useful life

The recoverable amount of the trademark with indefinite useful life has been determined based on a value-in-use calculation by reference to the valuation information prepared by the management as at 30 September 2023 and 31 March 2023. The income approach explicitly recognises that the current value of an investment is premised upon the expected receipt of future economic benefits such as cost savings, periodic income, or sale proceeds. The cash flows are discounted using a discount rate of 16.5% (31 March 2023: 16.5%). The discount rate used is pre-tax and reflects specific risks relating to the marketing and distribution of lifestyle apparels. Other key assumptions involve (i) management's expectations for the market development and (ii) the continuity of the cooperation relationship with business partners.

During the six months ended 30 September 2023 and 2022, no impairment loss was recognised in respect of the trademark. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount measurement is based would not cause the carrying amount to exceed its recoverable amount.

12. TRADE AND OTHER RECEIVABLES

	At 30 September 2023 *HK$'000* (Unaudited)	At 31 March 2023 *HK$'000* (Audited)
Trade receivables, (a)	**170,305**	147,223
Less: Loss allowances on trade receivables, (b)	**(63,742)**	(48,917)
	106,563	98,306
Prepayments	**2,506**	2,589
Other receivables *(Note)*	**36,754**	30,541
Utilities and sundry deposits	**956**	724
	40,216	33,854
Less: Loss allowances on other receivables	**(14,596)**	(14,300)
	25,620	19,554
	132,183	117,860
Non-current	**–**	–
Current	**132,183**	117,860
	132,183	117,860

Note: Loss allowance for ECL of approximately HK$14,596,000 (31 March 2023: approximately HK$14,300,000) has been recognised for other receivables under ECL model at 30 September 2023.

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

(a) The ageing analysis of trade receivables at amortised cost at 30 September 2023 and 31 March 2023, based on the invoice date, is as follows:

	At 30 September 2023 *HK$'000* (Unaudited)	At 31 March 2023 *HK$'000* (Audited)
0–30 days	**29,045**	64,889
31–90 days	**7,650**	2,684
91–365 days	**52,990**	27,174
Over 365 days	**80,620**	52,476
	170,305	147,223
Less: Loss allowances on trade receivables	**(63,742)**	(48,917)
	106,563	98,306

(b) The movement in the allowance for expected credit loss of trade receivables during the Period under Review/year ended 31 March 2023 was as follow:

	At 30 September 2023 *HK$'000* (Unaudited)	At 31 March 2023 *HK$'000* (Audited)
At the beginning of the period/year	**48,917**	43,467
Expected credit loss recognised on trade receivables during the period/year	**14,825**	5,450
At the end of the period/year	**63,742**	48,917

13. TRADE, BILLS AND OTHER PAYABLES

	At 30 September 2023 *HK$'000* (Unaudited)	At 31 March 2023 *HK$'000* (Audited)
Trade payables	**25,355**	23,349
Bills payables	**71,066**	60,949
Other payables and accruals	**11,118**	10,834
	107,539	95,132

An ageing analysis of trade payables based on invoice dates is as follows:

	At 30 September 2023 *HK$'000* (Unaudited)	At 31 March 2023 *HK$'000* (Audited)
0–30 days	**24,227**	19,710
31–90 days	**730**	1,566
91–365 days	**117**	1,045
Over 365 days	**281**	1,028
	25,355	23,349

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

14. SHARE CAPITAL

	Number of ordinary shares	Nominal value *HK$'000*	Share premium *HK$'000*
Authorised:			
At 1 April 2022, 31 March 2023 and 30 September 2023	2,500,000,000	100,000	–
Issued and fully paid:			
At 1 April 2022	200,000,000	8,000	66,541
Share placement *(note)*	40,000,000	1,600	3,200
At 31 March 2023 and 30 September 2023	240,000,000	9,600	69,741

Note: On 26 October 2022, arrangements were made for a private placement to independent private investors in relation to 40,000,000 ordinary shares of HK$0.12 each in the Group, which represent a premium of approximately 8.1% over the closing market price of the Group's ordinary shares on 26 October 2022.

Pursuant to a subscription agreement of the same date, independent private investors subscribed for 40,000,000 new ordinary shares of HK$0.12 each in the Group at a price of HK$0.12 per ordinary share. The proceeds were used for the business operations of the Group, as well as providing working capital to the Group to lower bank borrowing and meet any other financial obligations. These new shares were issued under the general mandate granted to the directors of the Group at the annual general meeting of the Group held on 31 August 2022 and they shall rank pari passu with other shares in issue in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND BUSINESS REVIEW

For the six months ended 30 September 2023, revenue for the Group was approximately HK$322,182,000, which is comparable to approximately HK$337,736,000 for the Corresponding Period. This slight decrease of 4.6% was in fact a relief and not unexpected considering the challenging macro-economic environment of high interest rates and weakening consumer confidence, and the fact that the Group had already experienced strong compounded sales growth of about 67.9% for the last two years. In spite of the worsening business conditions and increased pricing pressure, the Group maintained a gross margin of 15.9% for the Period under Review versus the 15.6% for the Corresponding Period.

In this environment of stagnant sales growth, the Group has maintained its focus on areas of controllable expenses, an effort started and continued since the year of the Pandemic three years ago. Most notably, there was a large decrease in selling and distribution expenses from approximately HK$18,652,000 in the Corresponding Period to approximately HK$12,914,000 in the Period under Review, whereby the 30.8% reduction was chiefly a result of lower logistics and sampling costs. General and administrative expenses were approximately HK$26,526,000 compared with approximately HK$23,495,000 in the Corresponding Period, demonstrating an increase of approximately HK$3,031,000 largely accounted for by the payment of employee bonuses which had been curtailed since 2020.

What is particularly troubling was the significant increase in finance cost, as there is an increase of about 83.7% from approximately HK$4,399,000 in the Corresponding Period to approximately HK$8,082,000 in the Period under Review. An unfortunate development was the Chapter 11 filing in June 2023 of a customer giving rise to an expected credit loss recognized on trade and other receivables ("ECL") of approximately HK$15,121,000 for the Period under Review. Comparing with a profit of approximately HK$11,328,000 in the Corresponding Period, the Group recorded a loss of approximately HK$7,960,000 in the Period under Review.

The EBITDA before ECL for the Period under Review was approximately HK$18,777,000 versus approximately HK$20,854,000 for the Corresponding Period; and after ECL, was approximately HK$3,656,000 versus approximately HK$20,854,000 respectively.

Revenue

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

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

	Six months ended 30 September					
	2023			2022		
	Revenue	**Quantity**	**Unit Price**	Revenue	Quantity	Unit Price
	HK$'000	***Pcs'000***	***HK$***	*HK$'000*	*Pcs'000*	*HK$*
Outerwear	**165,874**	**424**	**391**	149,539	353	424
Bottom	**117,549**	**823**	**143**	125,808	853	147
Top	**14,698**	**92**	**160**	26,399	134	197
Others	**24,061**	**106**	**227**	35,990	139	259
	322,182	**1,445**		337,736	1,479	

Revenue declined slightly during the Period under Review compared to the Corresponding Period. While sales of outerwear increased by approximately 10.9%, sales of other apparel products experienced varying degrees of decline.

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

	Six months ended 30 September			
	2023		2022	
	Revenue	**% of revenue**	Revenue	% of revenue
	HK$'000		*HK$'000*	
USA	**320,240**	**99.4%**	322,352	95.4%
Hong Kong	**395**	**0.1%**	10,130	3.0%
Italy	**–**	**–**	3,992	1.2%
Others	**1,547**	**0.5%**	1,262	0.4%
	322,182	**100.0%**	337,736	100.0%

Other Revenue

Other revenue, comprising mostly sample income and claims income, for the Period under Review was approximately HK$4,567,000 (Corresponding Period: approximately HK$3,603,000). Its increase was mainly due to increase in sample income to approximately HK$2,725,000 (Corresponding Period: approximately HK$1,417,000).

Other Gains and Losses, Net

The net other losses amounted to approximately HK$989,000 (Corresponding Period: gain of approximately HK$1,482,000). It comprised chiefly of fair value gain on prepaid insurance premium HK$106,000 (Corresponding Period: HK$106,000) and net exchange loss HK$1,095,000 (Corresponding Period: net exchange gain approximately HK$1,376,000).

Selling and Distribution Costs

Selling and distribution costs for the Period under Review decreased by 30.8% to approximately HK$12,914,000 (Corresponding Period: approximately HK$18,652,000). The decrease was mainly due to significant decrease in sales and air freight costs incurred during the Period under Review.

General and Administrative Expenses

General and administrative expenses increased by 12.9% from approximately HK$23,495,000 for the Corresponding Period to approximately HK$26,526,000 for the Period under Review. The increase in employee costs under general and administrative expenses to approximately HK$17,305,000 for the Period under Review from approximately HK$15,088,000 for the Corresponding Period was due to payment of performance bonus.

Finance Costs

The Group's finance costs increased by 83.7% from approximately HK$4,399,000 for the Corresponding Period, to approximately HK$8,082,000 for the Period under Review, mainly due to higher interest rate during the Period under Review.

Financial Position

As at 30 September 2023, the Group's cash and cash equivalents amounted to approximately HK$15,138,000 (31 March 2023: approximately HK$20,851,000). The decrease was mainly due to repayment of bank loans of HK$18,510,000 from approximately HK$145,593,000 for the Corresponding Period to approximately HK$127,083,000 for the Period under Review.

Inventories decreased by approximately HK$19,117,000, i.e. 36.2% to approximately HK$33,708,000 as at 30 September 2023 from approximately HK$52,825,000 as at 31 March 2023. The decrease was mainly due to the low season in the coming months after 30 September 2023.

Trade and other receivables increased by approximately HK$14,323,000 to approximately HK$132,183,000 (31 March 2023: approximately HK$117,860,000). The reason for the increase was because of the seasonal nature in sales as the peak shipping months are from July to September for the fall season.

Bank borrowings decreased by approximately 12.7% to approximately HK$127,083,000 (31 March 2023: approximately HK$145,593,000). It was mainly due to repayment of trust receipt loans.

Trade, bills and other payables increased by 13.0% from approximately HK$95,132,000 as at 31 March 2023 to approximately HK$107,539,000 as at 30 September 2023. The increase was mainly attributable to the seasonal effect of sales.

OUTLOOK

Much of the economic prognosis of the U.S. in 2023 centers around if the economy already weighed down by a series of eleven consecutive increases in federal fund rates will actually tip into a recession in the second half of the year or early 2024. There was indeed much to fret about. The effect of the post pandemic free money or easy liquidity injected into the US economy would have run its course by now. The anticipated student loan forgiveness program which would have amounted to about US$400 billion in fiscal stimulus got rejected by the U.S. Supreme Court. While the war in Russia and Ukraine still rages on, the world was jolted by another major catastrophic conflict in the Middle East in early October which many world leaders are still doing their best to stop it from escalating into a wider regional conflict. Against this backdrop of economic uncertainty and political instability, it is little wonder that the US Consumer Confidence Index has dropped three months in a row by October 2023 and the consumers' propensity to spend may be adversely affected.

The one bright spot in the economy that has been holding up remarkably well has been the unemployment rate, which ranging from about 3.8% in early 2022 to 3.9% in October 2023 has hardly changed in the last 18 months. While the household savings built up over the pandemic have dwindled, the steady employment income has certainly lent support to the consumer expenditure, the bedrock of the US economy. Indeed, the latest statistics indicate that the GDP growth has been 2.1% and 4.9% in Q2 and Q3 respectively, and that the US economy has successfully skirted the recession that was widely anticipated earlier in the year. At the same time, the inflation rate as measured by changes in CPI in October 2023 was 3.2% providing much needed relief in the market that the central bank's efforts to rein in inflation has produced the desire effect. The general consensus is that this should obviate the need for further increases in federal fund rates in 2023.

While the market anticipates a firmer undertone to the economy in the second half of 2024, not the least of which is this being a presidential election year when it has always presaged a more accommodative monetary policy, this does not translate into more bullish consumer sentiments in the near term. Judging from the recent public statements from the bellwether retailers in the U.S., the expectation is that consumers will be cautious in their spending for the 2023 holiday season even for the high income earners. Many of the retailers and apparel brands have never been so early in offering promotions for the much anticipated Black Friday holiday shopping around the Thanksgiving weekend in 2023.

The competition for the consumer dollars in 2023 holiday sales does not bode well for the apparel brands' purchases for 2024 Spring Summer inventory. Indeed, the Group does anticipate lower shipments for the second half of its fiscal year ending March 31, 2024 relative to the Corresponding Period. Looking further into the second half of 2024 when the interest rate is expected to come down or its decrease imminent, and when the geopolitical tensions may have started to wane, we are reasonably optimistic that the rising consumer confidence will lead to decidedly more positive growth in personal consumption and apparel sales in 2024.

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 30 September 2023, the Group had cash and bank balances amounting to approximately HK$15,138,000 (as at 31 March 2023: approximately HK$20,851,000), and current assets and current liabilities of approximately HK$182,300,000 (as at 31 March 2023: approximately HK$194,354,000) and approximately HK$235,751,000 (as at 31 March 2023: approximately HK$241,907,000) respectively.

As at 30 September 2023, there were bank borrowings of approximately HK$127,083,000 (as at 31 March 2023: approximately HK$145,593,000). The bank borrowings are mainly denominated in Hong Kong dollar and US dollar. As at 30 September 2023, the Group's interest-bearing bank borrowings carried mainly variable rate borrowings with annual interest rate of 5.38% to 7.69% (31 March 2023: 1.70%–7.70%) per annum.

GEARING RATIO

As at 30 September 2023, the gearing ratio of the Group, based on total interest-bearing liabilities (primarily, bank borrowings) to total equity (including all capital and reserves) of the Company was approximately 315.2% (31 March 2023: approximately 309.8%). The increase was a direct result of the Group's net loss, which was caused by the expected credit loss recognised on trade and other receivables.

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, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong owned by two related companies which share a common director and shareholder of the Group, and (c) the personal guarantees of a substantial shareholder whose spouse is also a Director, and a director of subsidiaries of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2023, the Group employed approximately 1,364 full-time employees (as at 31 March 2023: approximately 1,444 full-time employees) in Hong Kong, the PRC and Sri Lanka. The Group recognizes the importance of maintaining good relationship with its employees and retaining competent staff to ensure operational efficiency and effectiveness. The remuneration packages offered to the Group's employees are based on market conditions and each employee's qualifications, relevant experience, position and seniority. The Group conducts review on salary increments, bonuses and promotions based on the performance of each employee. The Group provides on-the-job training to its new employees. During the Period under Review, the Group had not experienced any strike, any significant problems with its employees or other significant labor disputes which had materially disrupted its operation during such period, and has not experienced any difficulties in the recruitment of experienced and skilled staff.

TREASURY POLICIES AND FOREIGN CURRENCY EXPOSURE

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 September 2023, the Group has no capital commitment.

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

OTHER INFORMATION

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry with all the Company's Directors, the Company has ascertained that all of its Directors have complied with the required standards set out in the Model Code throughout the Period under Review.

CORPORATE GOVERNANCE CODE

Throughout the Period under Review, the Company has complied with all applicable code provisions set out in the CG Code, except for the deviation from code provision C.2.1 regarding the segregation of the roles of chairperson and chief executive.

C.2.1 of the Code Provisions stipulates that the roles of chairman and chief executive officer should be separated. During the Period under Review, Ms. Wong Mei Wai Alice is the Chairperson and the chief executive of the Company. Ms. Wong has held the key leadership position of the Group and has been involved in the formulation of corporate strategies and management of business and operations of the Group since early 1990s. Taking into account the consistent leadership within the Group and in order to enable more effective and efficient overall strategic planning and continuation of the implementation of such plans, the Board considers that Ms. Wong is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Group and the shareholders as a whole. The Board will review this structure from time to time and consider the segregation of the two roles at an appropriate time.

REVIEW OF ACCOUNTS

The Board is of the view that the disclosure of financial information in this announcement complies with Appendix 16 to the Listing Rules. The audit committee of the Company, comprising Mr. Choi Wai Hin (chairperson of the audit committee), Mr. Tsang Ho Yin and Ms. Zhang Lingling, has reviewed the Group's unaudited interim financial information for the Period under Review.

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors, as notified to the Company, subsequent to the date of the annual report of the Company for the year ended 31 March 2023 are set out below:

With effect from 22 September 2023, Mr. Tsang Ho Yin was appointed as an independent non-executive director of Skymission Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1429).

Save as disclosed above, there is no change in Directors' information required to be disclosed.

DISCLOSEABLE TRANSACTION

From 15 December 2022 to 27 October 2023, the advances (the "Santai Advances") made by the Group to Santai Global Asset Management Ltd amounted to approximately HK$32.37 million in aggregate. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Santai Advances were interest free, uncollateralised, had no fixed repayment date and are payable on demand. For further details o the Santai Advances, please refer to the announcement of the Company dated 24 November 2023.

INTERIM DIVIDEND

The Directors do not recommend payment of an interim dividend to shareholders of the Company for the Period under Review.

IMPORTANT EVENTS AFTER THE REVIEW PERIOD

As at the date of this announcement, there is no significant event subsequent to 30 September 2023 which would materially affect the operating and financial performance of the Company or the Group.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the Period under Review containing all the relevant information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be dispatched to the Shareholders and published on the websites of SEHK (www.hkexnews.com.hk) and the Company (www.sterlingapparel.com.hk) in due course.

By Order of the Board
Sterling Group Holdings Limited
美臻集團控股有限公司*
Wong Mei Wai Alice
Chairperson

Hong Kong, 29 November 2023

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

* *For identification purposes only*