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## Sterling Group Holdings Limited

**美臻集團控股有限公司\***

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1825)**

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024

#### FINANCIAL HIGHLIGHTS

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Operating results (HK\$'000)</b>		
<b>Revenue</b>	<b>273,587</b>	322,182
Gross profit	<b>51,613</b>	51,105
Gross profit margin	<b>18.9%</b>	15.9%
Selling and distribution costs	<b>(11,122)</b>	(12,914)
General and administrative expenses	<b>(24,280)</b>	(26,526)
Operating profit	<b>8,358</b>	7,161
Expected credit loss recognised on trade and other receivables, net ("ECL")	<b>(5,149)</b>	(15,121)
<b>Profit/(loss) for the period</b>	<b>3,209</b>	(7,960)
Add back:		
Depreciation charges	<b>3,182</b>	3,534
Finance costs	<b>9,859</b>	8,082
Income tax expense	<b>—</b>	—
<b>EBITDA* after ECL</b>	<b>16,250</b>	3,656
Add: Expected credit loss recognised on trade and other receivable, net	<b>5,149</b>	15,121
<b>EBITDA* before ECL</b>	<b>21,399</b>	18,777

\* 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 2024 (the “Period under Review”), together with the comparative figures for the six months ended 30 September 2023 (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

		<b>Six months ended</b>	
		<b>30 September</b>	
	<i>Notes</i>	<b>2024</b>	<b>2023</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	4	<b>273,587</b>	322,182
Cost of sales		<b>(221,974)</b>	(271,077)
<b>Gross Profit</b>		<b>51,613</b>	51,105
Other revenue		<b>2,015</b>	4,567
Other gains and losses, net		<b>(9)</b>	(989)
Selling and distribution costs		<b>(11,122)</b>	(12,914)
General and administrative expenses		<b>(24,280)</b>	(26,526)
Expected credit loss recognised on trade and other receivables, net		<b>(5,149)</b>	(15,121)
Finance costs	5	<b>(9,859)</b>	(8,082)
<b>Profit/(loss) before income tax expense</b>		<b>3,209</b>	(7,960)
Income tax expense	6	–	–
<b>Profit/(loss) for the period</b>	7	<b>3,209</b>	(7,960)
<b>Other comprehensive income, net of tax</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>107</b>	1,281
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement gain on defined benefit obligation		<b>7</b>	–
<b>Other comprehensive income for the period</b>		<b>114</b>	1,281
<b>Total comprehensive income/(loss) for the period</b>		<b>3,323</b>	(6,679)
		<i>HK cents</i>	<i>HK cents</i>
Earnings/(loss)per share			
– Basic and diluted	9	<b>1.27</b>	(3.32)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 September 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
<b>Non-current assets</b>			
Prepaid insurance premium		9,160	9,051
Property, plant and equipment		33,173	35,951
Intangible assets		6,399	6,399
Right-of-use assets		24,655	25,521
Deferred tax assets		10,072	10,072
Goodwill		15,534	15,534
		98,993	102,528
<b>Total non-current assets</b>			
<b>Current assets</b>			
Inventories		26,578	28,272
Trade and other receivables	10	155,671	153,554
Tax recoverable		177	177
Pledged bank deposit		–	9,984
Cash and cash equivalents		22,615	26,965
		205,041	218,952
<b>Total current assets</b>			
		304,034	321,480
<b>Total assets</b>			
<b>Current liabilities</b>			
Trade, bills and other payables	11	138,629	90,978
Amounts due to related parties	12	18,096	–
Bank borrowings		98,632	188,550
Lease liabilities		622	1,056
		255,979	280,584
<b>Total current liabilities</b>			
		(50,938)	(61,632)
<b>Net current liabilities</b>			

		At <b>30 September</b> <b>2024</b> <i>Notes</i> <b>HK\$'000</b> <b>(Unaudited)</b>	At 31 March 2024 <i>HK\$'000</i> <b>(Audited)</b>
<b>Non-current liabilities</b>			
Defined benefit obligation		<b>2,568</b>	2,966
Lease liabilities		<b>4,265</b>	4,494
Deferred tax liabilities		<b>5,448</b>	6,107
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>12,281</b>	13,567
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>35,774</b>	27,329
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Share capital	13	<b>11,520</b>	9,600
Share premium	13	<b>72,943</b>	69,741
Reserves		<b>(48,689)</b>	(52,012)
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>35,774</b>	27,329
		<hr/>	<hr/>

## **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 “SEHK”).

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 manufacturing and trading of apparel products and licensing of trademark in the markets of the United States of America (“US”) and Europe.

These condensed consolidated interim financial statements have not been audited but has been reviewed by the auditor of the Company – Baker Tilly Hong Kong Limited, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

### **2. BASIS OF PREPARATION AND GOING CONCERN ASSUMPTION**

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”, issued by the HKICPA and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the SEHK (“Listing Rules”).

The condensed consolidated interim financial statements have been prepared under the historical cost basis except for prepaid insurance premium which is measured at fair value.

These condensed consolidated interim financial statements are presented in Hong Kong dollars, unless otherwise stated. These condensed consolidated interim financial statements contain the 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 2024 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 2024 annual financial statements.

The Group's current liabilities exceeded its current assets by HK\$50,938,000 as at 30 September 2024. The Group's liabilities included bank borrowings with an outstanding principal amounting to HK\$98,632,000 which is repayable on demand or within one year while the Group had cash and cash equivalents of HK\$22,615,000 as at 30 September 2024. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

In preparing the condensed consolidated interim financial statements, the directors of the Company have given careful consideration to the future performance and liquidity of the Group in light of the above. In order to improve the liquidity and financial position, the Group has taken measures to improve its financial position and to alleviate its liquidity pressure, which include but not limited to the following:

- (i) The Group continues to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses in order to enhance its ability to improve profitability and the cash flow from its operations in future;
- (ii) Up to the date of approval for issue of these condensed consolidated interim financial statements, the Group had unutilised banking facilities related to term and revolving loans and trust receipt loan of approximately HK\$6,261,000 which are subject to annual renewal process. The directors of the Company are of the opinion that it is likely that all the banking facilities can be renewed and maintained and/or certain new banking facilities can be obtained for at least the next twelve months.

The directors of the Company consider that, after taking into account the aforementioned measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due so as to enable the Group to continue as a going concern for at least the next twelve months from the date of authorisation for issue of these condensed consolidated interim financial statements. Accordingly, the condensed consolidated interim financial statements have been prepared on a going concern basis.

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

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

The preparation of the condensed consolidated 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.

### 3. CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in these condensed consolidated interim financial statements are consistent with those adopted in the consolidated financial statements for the year ended 31 March 2024, except for the adoption of amended HKFRSs as set out below.

The Group has applied the following amendments to HKFRSs issued by the HKICPA to the condensed consolidated interim financial statements for the current accounting period:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

None of these amendments to HKFRSs have had a material effect on the Group's results and financial position for the current or prior periods have been prepared or presented in the condensed consolidated interim financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### 4. REVENUE AND 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 ("CODM"), for the purpose of resources allocation and performance assessment, focuses on types of goods or services delivered or provided. 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 CODM and 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 category of revenue and geographical location.

	Six months ended 30 September	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Sales of apparel products	273,587	322,182
Licensing and related income	–	–
	<u>273,587</u>	<u>322,182</u>
<b>Major products and services</b>		
Outerwear	145,438	165,874
Bottom	99,834	117,549
Top	11,492	14,698
Others ( <i>Note (a)</i> )	16,823	24,061
	<u>273,587</u>	<u>322,182</u>
<b>Geographical location</b>		
US	273,162	320,240
Hong Kong	97	395
Others ( <i>Note (b)</i> )	328	1,547
	<u>273,587</u>	<u>322,182</u>
<b>Timing of revenue recognition</b>		
At a point in time	273,587	322,182
Transferred over time	–	–
	<u>273,587</u>	<u>322,182</u>

*Notes:*

- (a) Others mainly includes other products like dresses, suits, jumpsuits and vests.
- (b) Others mainly includes Europe and Canada.



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

**At 30 September 2024 (unaudited)**

	Hong Kong <i>HK\$'000</i>	PRC <i>HK\$'000</i>	Sri Lanka <i>HK\$'000</i>	Total <i>HK\$'000</i>
Prepaid insurance premium	9,160	–	–	9,160
Property, plant and equipment	7,746	2,137	23,290	33,173
Intangible assets	6,399	–	–	6,399
Right-of-use assets	4,982	1,927	17,746	24,655
Goodwill	3,633	10,748	1,153	15,534
	<u>31,920</u>	<u>14,812</u>	<u>42,189</u>	<u>88,921</u>

**At 31 March 2024 (audited)**

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

**5. FINANCE COSTS**

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Interest on bank borrowings		
– trust receipt loans	5,169	4,300
– term and revolving loans	899	581
Interest expenses on lease liabilities	147	175
Financing charges on invoice financing arrangement and others	3,644	3,026
	<u>9,859</u>	<u>8,082</u>

## 6. INCOME TAX EXPENSE

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

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

Pursuant to the income tax rules and regulations of the PRC, the subsidiary incorporated in the PRC is subject to the PRC Enterprise Income Tax (“EIT”) which is calculated based on the statutory tax rate of 25% on their assessable profits for both periods.

The provision for Sri Lanka Corporate Income Tax (“CIT”) 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.

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

## 7. PROFIT/(LOSS) FOR THE PERIOD

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	2023
	<b>HK\$’000</b>	HK\$’000
	<b>(Unaudited)</b>	(Unaudited)
Fair value changes on prepaid insurance premium	<b>(109)</b>	(106)
Net exchange loss	<b>118</b>	1,095
Depreciation of property, plant and equipment	<b>2,481</b>	2,717
Depreciation of right-of-use assets	<b>701</b>	817
Employee costs (including directors’ emoluments)	<b>41,190</b>	48,218
Expected credit loss recognised on trade and other receivables, net	<b>5,149</b>	15,121
Interest income	<b>(624)</b>	(705)

## 8. DIVIDENDS

The Board of directors do not recommend the payment of interim dividend for the six months ended 30 September 2024 (2023: nil).

## 9. EARNINGS/(LOSS) PER SHARE

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

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit/(loss)</b>		
Profit/(loss) for the period attributable to owners of the Company	<u><b>3,209</b></u>	<u><b>(7,960)</b></u>
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2024</b>	<b>2023</b>
	<b>'000</b>	<b>'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of calculations of basic and diluted earnings/(loss) per share	<u><b>252,066</b></u>	<u><b>240,000</b></u>
	<b>HK cents</b>	<b>HK cents</b>
Earnings/(loss) per share		
– Basic and diluted	<u><b>1.27</b></u>	<u><b>(3.32)</b></u>

The weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share for the six months ended 30 September 2024 has taken into account the impact from the share placement completed on 16 August 2024.

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

## 10. TRADE AND OTHER RECEIVABLES

	At 30 September 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Audited)
Trade receivables ( <i>Note (a)</i> )	182,900	172,953
Less: Loss allowances on trade receivables ( <i>Note (a) and (b)</i> )	<u>(54,471)</u>	<u>(49,322)</u>
	<u>128,429</u>	<u>123,631</u>
Prepayments	1,466	2,484
Other receivables	47,062	48,962
Utilities and sundry deposits	<u>911</u>	<u>674</u>
	49,439	52,120
Less: Loss allowances on other receivables ( <i>Note (b)</i> )	<u>(22,197)</u>	<u>(22,197)</u>
	<u>27,242</u>	<u>29,923</u>
	<u>155,671</u>	<u>153,554</u>

### Notes:

- (a) The ageing analysis of trade receivables at amortised cost at 30 September 2024 and 31 March 2024, based on the invoice date, is as follows:

	At 30 September 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Audited)
0–30 days	55,387	57,793
31–90 days	161	4,815
91–180 days	7,761	2,924
181–365 days	12,591	35,553
Over 365 days	<u>107,000</u>	<u>71,888</u>
	182,900	172,953
Less: Loss allowances on trade receivables	<u>(54,471)</u>	<u>(49,322)</u>
	<u>128,429</u>	<u>123,631</u>

- (b) The movement in the allowance for expected credit loss of trade and other receivables during the six months ended 30 September 2024/year ended 31 March 2024 was as follow:

	At 30 September 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Audited)
<b>Trade receivables</b>		
At the beginning of the period/year	49,322	48,917
Recognised	5,149	17,856
Written-off	–	(17,451)
	<u>54,471</u>	<u>49,322</u>
<b>Other receivables</b>		
At the beginning of the period/year	22,197	14,300
Reversed	–	7,946
Written-off	–	(49)
	<u>22,197</u>	<u>22,197</u>

#### 11. TRADE, BILLS AND OTHER PAYABLES

	At 30 September 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Audited)
Trade payables	62,169	21,178
Bills payables	62,545	53,561
Other payables and accruals	13,915	16,239
	<u>138,629</u>	<u>90,978</u>

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

	At 30 September 2024 <i>HK\$'000</i> (Unaudited)	At 31 March 2024 <i>HK\$'000</i> (Audited)
0–30 days	59,743	17,988
31–90 days	1,714	2,714
91–365 days	10	251
Over 365 days	702	225
	<u>62,169</u>	<u>21,178</u>

## 12. AMOUNTS DUE TO RELATED PARTIES

	As at 30 September 2024 <i>HK\$'000</i> (Unaudited)	As at 31 March 2024 <i>HK\$'000</i> (Audited)
<b>Amounts due to related parties</b>		
Win 18 Limited	906	–
Win 19 Limited	646	–
Ms. Wong Mei Wai Alice (“Ms. Wong”)	16,544	–
	<u>18,096</u>	<u>–</u>

The amounts due to related parties are non-trade in nature, unsecured, interest-free and repayable on demand, except for the amount due to Ms. Wong which bears interest at a rate of 6.5% per annum.

## 13. SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	Nominal value of ordinary shares of HK\$0.04 each <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
<b>Authorised:</b>			
At 1 April 2023 (audited), 31 March 2024 (audited) and 30 September 2024 (unaudited)	2,500,000,000	100,000	–
<b>Issued and fully paid:</b>			
At 1 April 2023 (audited) and 31 March 2024 (audited)	240,000,000	9,600	69,741
Share placement ( <i>note</i> )	48,000,000	1,920	3,202
At 30 September 2024 (unaudited)	<u>288,000,000</u>	<u>11,520</u>	<u>72,943</u>

*Note:* Pursuant to a subscription agreement dated 30 July 2024, independent private investors subscribed for 48,000,000 new ordinary shares of HK\$0.11 each in the Group. Total net proceeds of HK\$5,122,000 were raised after deducting the transaction costs attributable to issue of new shares. These new shares were issued on 16 August 2024 under the general mandate granted to the directors of the Group at the annual general meeting of the Group held on 12 September 2023 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 2024, revenue for the Group was approximately HK\$273,587,000, which was a decrease of 15.1% from approximately HK\$322,182,000 for the Corresponding Period. The decrease was largely a result of more conservative purchases from the Group's customers earlier in the year when the market was buffeted by a sense of precariousness about the fresh Middle East conflicts and the drawn out war in Ukraine/Russia, in addition to the U.S. inflation rate and its impact on the interest rate cycle. Against this backdrop of challenging business conditions, the Group reported a gross profit of \$51,613,000, a margin of 18.9%, for the Period under Review which is slightly higher than a gross profit of \$51,105,000, a margin of 15.9%, for the Corresponding Period. The margin improvement was chiefly because of our higher efficiency at the manufacturing operations as well as from product sourcing across different customers.

The Group has maintained its focus on cost control in the face of a stagnant sales environment, a continuation of our efforts started in 2020. The selling and distribution expenses decreased from approximately HK\$12,914,000 in the Corresponding Period to approximately HK\$11,122,000 in the Period under Review. The 13.9% reduction was primarily a result of lower staff costs, as more and more of our merchandising function being migrated to our factory in Panyu, China. General and administrative expenses were approximately HK\$24,280,000 compared with approximately HK\$26,526,000 in the Corresponding Period, mostly due to lower people costs offset by small increases in other areas.

In this high-interest rate environment, the finance cost of approximately HK\$9,859,000 in the Period under Review remained particularly high, an increase of about 22.0% from approximately HK\$8,082,000 in the Corresponding Period. For the Period under Review, the Group recorded an additional provision of Expected Credit Loss ("ECL") of HK\$5,149,000 based on the old receivable remaining outstanding, compared with approximately an ECL provision of HK\$15,121,000 for the Corresponding Period. The Group recorded a profit of approximately HK\$3,209,000 in the Period under Review as compared to a loss of \$7,960,000 for the Corresponding Period.

The EBITDA before ECL for the Period under Review was approximately HK\$21,399,000 as compared to approximately HK\$18,777,000 for the Corresponding Period; and after ECL, was approximately HK\$16,250,000 as compared to approximately HK\$3,656,000 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					
	2024			2023		
	Revenue <i>HK\$'000</i>	Quantity <i>Pcs'000</i>	Unit Price <i>HK\$</i>	Revenue <i>HK\$'000</i>	Quantity <i>Pcs'000</i>	Unit Price <i>HK\$</i>
Outerwear	145,438	389	374	165,874	424	391
Bottom	99,834	649	154	117,549	823	143
Top	11,492	115	100	14,698	92	160
Others	16,823	73	230	24,061	106	227
	<b>273,587</b>	<b>1,226</b>		<b>322,182</b>	<b>1,445</b>	

The apparel market experienced a downturn in revenue and quantity sold during the Period under Review compared to the Corresponding Period. While outerwear, bottoms and others saw both revenue and quantity declines, tops showed an increase in quantity sold, despite a significant drop in revenue.

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

	Six months ended 30 September			
	2024		2023	
	Revenue <i>HK\$'000</i>	% of revenue	Revenue <i>HK\$'000</i>	% of revenue
USA	273,162	99.8%	320,240	99.4%
Hong Kong	97	0.1%	395	0.1%
Others	328	0.1%	1,547	0.5%
	<b>273,587</b>	<b>100.0%</b>	<b>322,182</b>	<b>100.0%</b>

### Other Revenue

Other revenue, comprising mostly sample income and claims income, for the Period under Review was approximately HK\$2,015,000 (Corresponding Period: approximately HK\$4,567,000). Its decrease was mainly due to decrease in sample income to approximately HK\$1,074,000 (Corresponding Period: approximately HK\$2,725,000) and decrease in claims income to approximately HK\$56,000 (Corresponding Period: approximately HK\$866,000).

### Other Gains and Losses, Net

The net other loss amounted to approximately HK\$9,000 (Corresponding Period: loss of approximately HK\$989,000). The decrease was chiefly due to the net exchange loss arising from depreciation of Renminbi during the Corresponding Period.



## **Selling and Distribution Costs**

Selling and distribution costs for the Period under Review decreased by 13.9% to approximately HK\$11,122,000 (Corresponding Period: approximately HK\$12,914,000). The reduction in selling and distribution costs was primarily attributed to the decrease in payroll expenses during the Period under Review.

## **General and Administrative Expenses**

General and administrative expenses decreased by 8.5% from approximately HK\$26,526,000 for the Corresponding Period to approximately HK\$24,280,000 for the Period under Review. The reduction in general and administrative expenses was mainly due to the decrease in payroll expenses during the Period under Review.

## **Finance Costs**

The Group's finance costs increased by 22.0% from approximately HK\$8,082,000 for the Corresponding Period, to approximately HK\$9,859,000 for the Period under Review, mainly due to higher interest rate during the Period under Review.

## **Financial Position**

As at 30 September 2024, the Group's cash and cash equivalents amounted to approximately HK\$22,615,000 (31 March 2024: approximately HK\$26,965,000). The decrease was primarily due to repayment of bank loans, which reduced the bank borrowings from approximately HK\$188,550,000 for the Corresponding Period to approximately HK\$98,632,000 for the Period under Review.

Inventories decreased by approximately HK\$1,694,000, i.e. 6.0% to approximately HK\$26,578,000 as at 30 September 2024 from approximately HK\$28,272,000 as at 31 March 2024. The decrease was mainly due to the low season in the coming months after 30 September 2024.

Trade and other receivables increased by approximately HK\$2,117,000 to approximately HK\$155,671,000 (31 March 2024: approximately HK\$153,554,000). 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 47.7% to approximately HK\$98,632,000 (31 March 2024: approximately HK\$188,550,000). It was mainly due to repayment of trust receipt loans.

Trade, bills and other payables increased by 52.4% from approximately HK\$90,978,000 as at 31 March 2024 to approximately HK\$138,629,000 as at 30 September 2024. The rise was primarily a result of seasonal sales fluctuations and extended credit terms provided by key suppliers.

## OUTLOOK

Much of the uncertainty about the U.S. market seemed to have been resolved compared with a few months ago. First, the long anticipated decrease in interest rate finally happened in September 2024 when the U.S. Federal Reserve lowered its benchmark rate by 50 basis points, followed by another cut of 25 bps in November. The US Consumer confidence index registered the highest reading in November in the last seven months. As if on cue, the Group also have the strongest order book for the month of December in its history, although this may be at the expense of later Spring Summer 2025 purchases. With the interest rate clearly turning down, the risk of a recession and rising unemployment may be reduced.

The second uncertainty that was resolved, namely the U.S. election result, seems to beget greater uncertainty as both consumers and businesses face the specter of the economic and political agenda of the new administration, which supposedly include tax cuts, a blanket tariff on all U.S. imports, and deportation of all undocumented workers – all of which are arguably inflationary. How these policies will be implemented and their impact on consumer expenditure remain to be seen. What has become clear so far is that US importers rapidly further decouple from their supply chain in China to neighboring Asian countries. With the vast majority of our production being based in the Philippines and Sri Lanka, we expect negligible impact on our business.

Looking ahead, we expect the Group's U.S. sales to be flat for the coming year. The Group has always been a heavy user of bank financing because of the long trade cycle of its main OEM business. The interest rate down trend should bring much needed relief in our cost of financing, which has gone up significantly in recent years. The challenges in the Hong Kong economic and banking environment in the last year has highlighted the need for change as the Group has been relying on the personal assets and guarantees of its Chairperson to secure the required bank facilities to operate its business.

To diversify our business, the Group has been actively looking into other business that does not require the substantial bank financing as our existing garment manufacturing business. Recently, the Group has engaged in provision of digital marketing services through its subsidiaries in China as its new business, which is less capital intensive and will create synergies with its existing garment business. The Group funds this new business by its internal resources and external financing. These services do not require substantial bank financing, and are expected to include performance-based advertising, display-based advertising, and short video exposure services, among others. The Group aims to collect relevant precise information based on demographic, interests, and online behavior through these services, which will help clients showcase their products in eye-catching ways across various online platforms. This approach will also enable garment companies to achieve more effective product display. Through collaborations with mainstream media, the Group intends to gradually expand its digital marketing services business. The management is confident that such a new business will increase the income source of the Group and enhance the Group's existing business.

When evaluating the potential business development opportunities, the Company takes into account of its potential profitability, capital commitment, cash flows as well as industry prospects of such businesses, with the objective to enhance the Company's financial performance.

## **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. As at 30 September 2024, the Group had cash and bank balances amounting to approximately HK\$22,615,000 (as at 31 March 2024: approximately HK\$26,965,000), and current assets and current liabilities of approximately HK\$205,041,000 (as at 31 March 2024: approximately HK\$218,952,000) and approximately HK\$255,979,000 (as at 31 March 2024: approximately HK\$280,584,000) respectively.

As at 30 September 2024, there were bank borrowings of approximately HK\$98,632,000 (as at 31 March 2024: approximately HK\$188,550,000). The bank borrowings are mainly denominated in Hong Kong dollar and US dollar. As at 30 September 2024, the Group's interest-bearing bank borrowings carried mainly variable rate borrowings with annual interest rate of 5.81% – 6.93% (31 March 2024: 5.40%–7.23%) per annum.

On 30 July 2024, the Company entered into the placing agreement (the "Placing Agreement") with the placing agent to place up to 48,000,000 new ordinary shares (the "Placing Shares") to not less than six places (the "Placing"). On 16 August 2024, the Company completed the Placing to allot and issue 48,000,000 Placing Shares in full at HK\$0.11 each. The net proceeds from the Placing were approximately HK\$5.12 million and the net price per Placing Share was HK\$0.1067. As at the date of this announcement, the Company has utilised HK\$4.4 million for working capital purposes according to the use of proceeds as disclosed in the announcement of the Company dated 30 July 2024 and the Company has no plans to alter the use of the balance unutilised and the unutilised proceeds shall remain to be used for working capital purposes in the financial year ending 31 March 2025.

Details of the Placing were disclosed in the announcements of the Company dated 30 July 2024 and 16 August 2024. The total number of issued shares of the Company as at 30 September 2024 was 288,000,000.

### **GEARING RATIO**

As at 30 September 2024, the gearing ratio of the Group, based on total interest-bearing liabilities (primarily, bank borrowings and amount due to related parties) to total equity (including all capital and reserves) of the Company was approximately 326.3% (31 March 2024: approximately 689.9%). The decrease was a direct result of the reduction of bank borrowings of the Group.

### **PLEDGE OF ASSETS**

As at 30 September 2024, the bank borrowings of the Group are secured by (a) prepaid insurance premium (31 March 2024: prepaid insurance premium and pledged bank deposit), (b) 18th and 19th floors of Win Plaza, 9 Sheung Hei Street, San Po Kong, Kowloon, Hong Kong beneficially owned by a director of the Group, and (c) the personal guarantees of the same director.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2024, the Group employed approximately 1,254 full-time employees (as at 31 March 2024: approximately 1,290 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.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

During the Period under Review, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

## **SIGNIFICANT INVESTMENT HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Company had not executed any agreement in respect of material investment or capital asset and did not have any other plans relating to material investment or capital asset during the Period under Review. Nonetheless, if any potential investment opportunity arises in the coming future, the Company will perform feasibility studies and prepare implementation plans to consider whether it is beneficial to the Company and the Shareholders as a whole.

## **CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at 30 September 2024, the Group has no capital commitment.

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

## **PURCHASE, SALE 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 during the Period under Review.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix C3 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors.

Having made specific enquiry, all the Directors confirmed that they have complied with the required standards set out in the Model Code during the Period under Review. Employees who are likely to be in possession of inside information of the Company are also subject to compliance with guidelines on no less exacting terms than the Model Code.

## **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 D2 to the Listing Rules. The audit committee of the Company, comprising Mr. Chow Yun Cheung (chairperson of the audit committee), Mr. Zhao Chuan and Ms. Zhang Lingling, has reviewed the Group’s unaudited interim financial information for the Period under Review.

The auditor of the Company – Baker Tilly Hong Kong Limited has also reviewed the Group’s condensed consolidated interim financial statements for the six months ended 30 September 2024 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

## **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 2024 are set out below:

With effect from 23 September 2024, Ms. Zhang Lingling has resigned as an independent non-executive director of Huisen Shares Group Limited, a company listed on the Main Board of the SEHK (stock code: 2127).

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

## **EVENTS AFTER THE REPORTING PERIOD**

Save as disclosed elsewhere in this announcement, no significant events affecting the Group have occurred since the end of the Period under Review and up to the date of this announcement.

## **INTERIM DIVIDEND**

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

## **OTHER INFORMATION**

### **(1) MAJOR AND CONNECTED TRANSACTION; (2) CONTINUING CONNECTED TRANSACTION AND CONNECTED TRANSACTION; (3) MAJOR TRANSACTION; AND (4) CONTINUING CONNECTED TRANSACTION**

References are made to the announcements of the Company dated 3 June 2024 and 30 August 2024 (the "Announcements"). Unless otherwise defined, the capitalised terms used herein shall have the same meaning as those defined in the Announcements. On 30 August 2024, (1) SAL entered into the Loan Agreement with Santai, pursuant to which the Company and Santai agreed to, among other things, set out the terms of the Santai Advances in the aggregate sum of US\$4,212,811 (equivalent to HK\$32,859,926); (2) SAL entered into the Agreement with Santai and JPO, pursuant to which the parties agreed to, among other things, terminate the First Letter of Support and set out the terms and conditions of (i) supply of Inventories; and (ii) provision of Financial Assistance; (3) SAL entered into the Second Agreement with Santai and JPO, pursuant to which the parties agreed to, among other things, terminate the Letters of Support and set out the terms and conditions of provision of Second Financial Assistance; and (4) SAL, Mr. Choi as the First Guarantor and Ms. Wong as the Second Guarantor entered into the Guaranty Fee Agreement, pursuant to which SAL agrees to pay the Guarantors a guaranty fee. The completion of the Loan Agreement, the Agreement, the Second Agreement and the Guaranty Fee Agreement are subject to, among other things, the approval of the Shareholders at a general meeting of the Company. For further details about the Loan Agreement, the Agreement, the Second Agreement and the Guaranty Fee Agreement, please refer to the Announcements.

## **EXTRACT OF THE REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2024**

The following is the extract of report on review of condensed consolidated interim financial statements to the board of directors for the six months ended 30 September 2024 from Baker Tilly Hong Kong Limited, the auditor of the Group:

### **Material Uncertainty related to Going Concern**

We draw attention to note 2 to the condensed consolidated interim financial statements which indicates that the Group's current liabilities exceeded its current assets by HK\$50,938,000 as at 30 September 2024. These conditions, along with other matters as set out in note 2 to the condensed consolidated interim financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

### **PUBLICATION OF INTERIM REPORT**

The interim report of the Company for the Period under Review containing all the relevant information required by Appendix D2 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](http://www.hkexnews.com.hk)) and the Company ([www.sterlingapparel.com.hk](http://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, 28 November 2024

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

\* For identification purposes only