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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 2021

- Revenue for the six months ended 30 September 2021 increased by approximately 26.7% to approximately HK\$246,156,000, as compared with revenue of approximately HK\$194,272,000 for the six months ended 30 September 2020.
- Profit of the Group for the six months ended 30 September 2021 amounted to approximately HK\$329,000 (corresponding period in 2020: profit was approximately HK\$572,000, which included a one-time COVID-19 subsidy from the Hong Kong Government of approximately HK\$2,890,000 and a reversal of over-accrual of approximately HK\$2,477,000 in estimated credit loss in prior period).
- EBITDA was approximately HK\$9,648,000 for the six months ended 30 September 2021 (corresponding period in 2020: HK\$12,647,000).
- Basic earnings per Share for the six months ended 30 September 2021 was 0.06 HK cents as compared with basic earnings per Share of 0.07 HK cents for the six months ended 30 September 2020.
- To improve the capital base of the Group, a shareholder's loan of US\$1.5 million was forgiven which was added to the capital reserve of the Company during the Period under Review.
- The Directors of the Company do not recommend payment of an interim dividend to shareholders of the Company for the six months ended 30 September 2021.

Note: 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 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 2021 (the "Period under Review"), together with the comparative figures for the corresponding period in 2020. 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	
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	246,156	194,272
Cost of sales		<u>(211,790)</u>	<u>(159,747)</u>
Gross profit		34,366	34,525
Other revenue		4,509	7,244
Other gains and losses, net		(155)	1,573
Selling and distribution costs		(11,522)	(12,969)
General and administrative expenses		(24,550)	(25,424)
Finance costs	6	<u>(2,319)</u>	<u>(4,077)</u>
Profit before income tax expense		329	872
Income tax expense	7	<u>–</u>	<u>(300)</u>
Profit for the period	8	<u>329</u>	<u>572</u>
Other comprehensive expenses, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Remeasurement loss on defined benefit plan		(105)	(219)
Exchange differences arising on translation of foreign operations		<u>(248)</u>	<u>32</u>
Other comprehensive expenses for the period		<u>(353)</u>	<u>(187)</u>
Total comprehensive (expense)/income for the period		<u>(24)</u>	<u>385</u>
Profit and total comprehensive (expense)/income for the period attributable to:			
Owners of the Company		<u>(24)</u>	<u>385</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
– Basic	10	<u>0.06</u>	<u>0.07</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

			At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Non-current assets				
			8,351	8,246
			47,057	49,700
	11		7,606	7,606
			29,821	31,321
			18,122	18,122
	13		11,596	11,596
			4,133	4,133
Total non-current assets			126,686	130,724
Current assets				
			23,407	35,849
	13		236,326	149,389
	12		3,292	3,292
			2	108
			1,383	1,363
			53,766	63,853
Total current assets			318,176	253,854
Total assets			444,862	384,578
Current liabilities				
	14		111,993	76,637
			2,697	742
			–	53
			229,048	237,022
			2,727	6,229
Total current liabilities			346,465	320,683
Net current liabilities			(28,289)	(66,829)

		At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Non-current liabilities			
Loans from a director/shareholder	15	20,700	–
Defined benefit obligation		2,771	2,907
Lease liabilities		5,563	3,317
Deferred tax liabilities		684	668
		<hr/>	<hr/>
Total non-current liabilities		29,718	6,892
		<hr/>	<hr/>
Net assets		68,679	57,003
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves attributable to owners of the Company			
Share capital	16	8,000	8,000
Share premium		66,541	66,541
Other reserves		(5,862)	(17,538)
		<hr/>	<hr/>
Total equity		68,679	57,003
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION OF THE GROUP

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. The address of the registered office of the Company is located at the office of Tricor Services (Cayman Islands) Limited, 2nd Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The Company is an investment holding company and the Group is principally engaged in the provision of manufacturing and trading of apparel products in the market of the United States of America (the “Listing Business”).

The Company’s shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (“SEHK”) on 19 October 2018.

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.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“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 (“HK\$”), 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 2021 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 2021 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 2021 are consistent with those adopted in the consolidated financial statements for the year ended 31 March 2021, except for the adoption of new and amended standards as set out below.

New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments, if applicable, as a result of adopting the following standards:

Amendments to HKAS 39, HKFRS 7, Interest Rate Benchmark Reform – Phase 2

HKFRS 4, HKFRS 9 and

HKFRS 16

Amendments to HKFRS 16

Covid-19-Related Rent Concessions beyond 30 June 2021

The adoption of these new or amended standards listed above did not have any material impact on the Group's accounting policies.

5. REVENUE AND SEGMENT INFORMATION

During the reporting period, the Group was principally engaged in the manufacturing and trading of apparel products. Information reported to the Group's chief operating decision maker (the "CODM"), 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 historical financial information is available. Accordingly, the Group has only one business segment and no further analysis of this single segment is considered necessary.

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 and results from continuing operations by reportable segment.

	Six months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of garments	246,156	194,272
Licensing and related income	–	–
	<u>246,156</u>	<u>194,272</u>
Major products		
Outerwear	113,735	91,428
Bottoms	71,323	59,799
Tops	25,644	14,540
Others (<i>Note a</i>)	35,454	28,505
	<u>246,156</u>	<u>194,272</u>
Total	<u>246,156</u>	<u>194,272</u>
Primary geographical markets		
The United States of America (the "USA")	223,589	175,298
Italy	14,656	13,710
Hong Kong	6,871	2,931
United Kingdom	457	1,675
Others (<i>Note b</i>)	583	658
	<u>246,156</u>	<u>194,272</u>
Timing of revenue recognition		
At a point in time	246,156	194,272
Transferred over time	–	–
	<u>246,156</u>	<u>194,272</u>

Note a: Others mainly includes other products like dresses, suits, gowns, scarves, jumpsuits and vests and licensing income.

Note b: Others mainly includes 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:

	At 30 September	At 31 March
	2021	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Hong Kong ("Hong Kong")	56,981	46,003
The People's Republic of China (the "PRC")	7,220	17,938
Sri Lanka	54,134	58,537
	118,335	122,478

6. FINANCE COSTS

	Six months ended 30 September	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest on bank borrowings		
– trust receipt loans	1,320	1,480
– term and revolving loans	716	1,191
– bank overdraft	–	1
Interest expenses on lease liabilities	283	397
Interest expenses on loans from a director	–	580
Interest expenses on loans from a related party	–	428
	2,319	4,077

7. INCOME TAX EXPENSE

	Six months ended 30 September	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Hong Kong profits tax		
– current taxation	–	–
– under provision in prior years	–	56
	<u>–</u>	<u>56</u>
Overseas profits tax		
– current taxation	–	–
– under provision in prior years	–	9
	<u>–</u>	<u>9</u>
Deferred tax:		
– Current period	–	235
	<u>–</u>	<u>300</u>

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.

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying group entity will be taxed at 8.25% and assessable 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%. A HK subsidiary of the Group has been entitled to a concessionary tax rate of 50% on the transactions made with a PRC subsidiary of the Group under the relevant contract processing arrangement for the both periods.

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

The provision for Sri Lanka Corporate Income Tax is based on the statutory rate of 14% (six months ended 30 September 2020: 14%) of the assessable profit of the Sri Lanka subsidiaries of the Group as determined in accordance with the Sri Lanka’s Inland Revenue.

8. PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	2,701	2,914
Depreciation of right-of-use assets	4,299	4,784
Realisation of deferred gain from convertible promissory note*	–	(720)
Fair value changes on prepaid insurance premium	(105)	(116)
Employee costs (including directors' emoluments)	49,664	52,845
Credit relating to negative variable lease payments not included in the measurement of lease liabilities*	–	(750)
Government grants*	–	(2,890)
Interest income*	(917)	(99)
	<u> </u>	<u> </u>

* Included in other revenue

9. DIVIDENDS

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interim dividends	<u> </u>	<u> </u>

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2021 (Six months ended 30 September 2020: Nil).

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 six months ended 30 September 2021 and 2020.

	Six months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of calculations of basic earnings per share	<u> </u>	<u> </u>

Six months ended 30 September	
2021	2020
'000	'000
(Unaudited)	(Unaudited)

Number of shares

Weighted average number of ordinary shares for the purposes of calculations of basic earnings per share	518,033	800,000
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The weighted number of shares were lower as at 30 September 2021 because of the 4 to 1 stock consolidation completed on 6 July 2021.

No diluted earnings per share for the six months ended 30 September 2021 and 2020 was presented as the Company did not have any dilutive potential ordinary shares in issue for the six months ended 30 September 2021 and 2020.

11. INTANGIBLE ASSETS

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Trademark		
Cost	10,850	10,850
Less: Impairment	(3,244)	(3,244)
At the end of the period/year	7,606	7,606

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

Impairment tests for trademark with indefinite useful life

As at 30 September 2021, the recoverable amount of the trademark with indefinite useful life was determined based on value in use calculation by reference to the valuation information prepared by management (31 March 2021: the recoverable amount of the trademark with indefinite useful life was determined based on value in use calculation by reference to the valuation information prepared by management). 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 20.4% per annum (31 March 2021: 20.4% per annum). 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 2021 and 30 September 2020, 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. CONVERTIBLE PROMISSORY NOTE

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
At the beginning of the period/year	3,292	3,214
Changes in fair value	–	78
	<u>3,292</u>	<u>3,292</u>

The Group made investment in a convertible promissory note (“Convertible Promissory Note”) of a non-related private company, and this investment held by the Company contains embedded derivatives. After assessment on the Group’s business model for managing financial assets and contractual cash flow test where those cash flows represent solely payments of principal and interest (“SPPI”), the Group recognised these investments as financial assets at fair value through profit or loss.

By taking into consideration of the factors: (i) management’s expectations for the market development; (ii) the continuity of the cooperation relationship with business partners; and (iii) there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies; the management does not expect any material change in the fair value of the convertible promissory note for the period from 31 March 2021 to 30 September 2021. The fair value of the convertible promissory note was determined with reference to valuation at 31 March 2021 carried out by an independent valuer, Graval Consulting Limited using market approach.

13. TRADE AND OTHER RECEIVABLES

	At 30 September 2021 <i>HK\$'000</i> (Unaudited)	At 31 March 2021 <i>HK\$'000</i> (Audited)
Trade receivables	243,681	159,523
Less: Loss allowances on trade receivable	(16,920)	(16,920)
	<u>226,761</u>	<u>142,603</u>
Prepayment	752	2,491
Other receivables (<i>Note</i>)	25,173	20,764
Less: Loss allowances on other receivables	(6,523)	(6,523)
Utilities and sundry deposits	1,759	1,650
	<u>247,922</u>	<u>160,985</u>
Non-current	11,596	11,596
Current	236,326	149,389
	<u>247,922</u>	<u>160,985</u>

Note: Included in other receivables, an amount of HK\$19,820,000 (equivalent to US\$2,555,000) (31 March 2021: HK\$19,820,000) is due from a non-related company which is a customer and the convertible note issuer of the Group which has good business relationship with the Group as at 30 September 2021 and 31 March 2021.

The amount is unsecured, interest free and repayable on demand, except for an amount of HK\$11,596,000 (31 March 2021: HK\$11,596,000) which the directors expect it to be repaid beyond the next twelve months.

The Group allows a credit period ranging from 30 days to 60 days for its trade customers. The aging analysis of trade receivables, net of loss allowances at the end of reporting period based on the invoice date, is as follows:

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
0–30 days	55,536	27,775
31–90 days	96,185	59,919
91–365 days	26,210	31,295
Over 365 days	48,830	23,614
	<u>226,761</u>	<u>142,603</u>

The movement in the allowance for expected credit loss of trade receivables during the current interim period/year was as follows:

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
At the beginning of the period/year	16,920	52,762
Expected credit loss reversed on trade receivables during the period/year	–	(35,842)
At the end of the period/year	<u>16,920</u>	<u>16,920</u>

14. TRADE, BILLS AND OTHER PAYABLES

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
Trade payables	45,585	23,935
Bills payables	46,891	37,941
Other payables and accruals	19,517	14,761
	<u>111,993</u>	<u>76,637</u>

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

	At 30 September 2021 HK\$'000 (Unaudited)	At 31 March 2021 HK\$'000 (Audited)
0–30 days	39,720	18,473
31–90 days	5,313	4,806
91–365 days	499	245
Over 365 days	53	411
	<u>45,585</u>	<u>23,935</u>

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. LOANS FROM A DIRECTOR/SHAREHOLDER

At 13 July 2021, 30 August and 7 September 2021, loans of HK\$11,700,000, HK\$5,000,000 and HK\$4,000,000 were advanced from a director, Ms. Wong Mei Wai Alice, a spouse of the largest single shareholder of the Company. The balances are unsecured, interest free and are due upon the expiry of 3 years from the dates of drawdown.

16. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 each	Number of ordinary shares of HK\$0.04 each	Nominal value
Authorised:			
At 1 April 2020, 31 March 2021 and 1 April 2021	10,000,000,000	–	100,000,000
Share Consolidation (<i>note</i>)	<u>(10,000,000,000)</u>	<u>2,500,000,000</u>	<u>–</u>
At 30 September 2021	<u>–</u>	<u>2,500,000,000</u>	<u>100,000,000</u>
Issued and fully paid:			
At 1 April 2020, 31 March 2021 and 1 April 2021	800,000,000	–	8,000,000
Share Consolidation (<i>note</i>)	<u>(800,000,000)</u>	<u>200,000,000</u>	<u>–</u>
At 30 September 2021	<u>–</u>	<u>200,000,000</u>	<u>8,000,000</u>

Note: With effect from 6 July 2021, every four (4) issued and unissued shares of the Company of nominal value HK\$0.01 each were consolidated into one (1) consolidated share of the Company of nominal value HK\$0.04 each (the “Share Consolidation”). Further details of the Share Consolidation are set out in the announcements dated 3 June 2021, 2 July 2021 and circular of the Company dated 11 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS AND BUSINESS REVIEW

The performance of the Group was significantly better for the six months ended 30 September 2021 (“Period under Review”) compared with the six months ended 30 September 2020 (“Corresponding Period”), when the Company was buffeted by the outbreak of COVID-19 pandemic (“COVID-19”) in early 2020 and the subsequent Chapter 11 filing of the Group’s largest customer in May 2020. Sales revenue for the Group showed a marked improvement with an increase of 26.7% from approximately HK\$194,272,000 for the Corresponding Period to approximately HK\$246,156,000 for the Period under Review. The increased revenue reflected nearly an across the board rebound from the Group’s existing customers, as well as additional sales from the four new customers the Group has been developing in the last two years. While revenue has increased 26.7% from the Corresponding Period to the Period under Review, sales quantity has increased 34.8% reflecting the need of the Group to pursue lower price products, such as casualwear and sleepwear, in greater volume as the demand for more tailored or constructed apparels may have declined during and post-pandemic.

The gross profit margin of the Group was 14.0% for the Period under Review, which reflected in part the lower trading gross margin (relative to a manufacturing gross margin) with some of the Group’s new customers, and in part, a lower gross margin for some of the new product categories. This is comparable with the Group’s gross margin of 17.8% for the Corresponding Period, which had benefited from a waiver of the 4% invoice discount the Group’s largest customer offered to all its vendors in 2020. The total gross profit of about HK\$34.4 million for the Period under Review was nearly identical to approximately HK\$34.5 million for the Corresponding Period.

The austerity measures the Group implemented in early 2020, comprising chiefly salary rollback, staff redundancy and migration of certain functions from Hong Kong to the Group’s Panyu factory, have started to bear fruit as our operating expenses have held steady while the business has expanded 26.7% in value and 34.8% in volume. Selling & Distribution expenses for the Period under Review were approximately HK\$11,522,000, a decrease of about 11.1% from approximately HK\$12,969,000 for the Corresponding Period. General Administrative expenses for the Period under Review were approximately HK\$24,550,000, a decrease of about 3.4% from approximately HK\$25,424,000 for the Corresponding Period. Notably, interest expenses dropped by about 43.1% from approximately HK\$4,077,000 for the Corresponding Period to about HK\$2,319,000 for the Period under Review.

The Group recorded a profit of approximately HK\$329,000 for the Period under Review which compared favorably to a net profit of approximately HK\$572,000 for the Corresponding Period, which had benefited from a Hong Kong government grant of approximately HK\$2,890,000 for COVID relief and a reversal of over provision of estimated credit loss of approximately HK\$2,477,000 for the Corresponding Period.

To further bolster the capital base of the Group after recent losses from the Chapter 11 filing of the Group’s major customer and impact from COVID-19, a shareholder loan of US\$1.5 million was forgiven and added to the capital reserve during the Period under Review.

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 Period under Review, the sales volume of the Group amounted to approximately 1,132,600 pieces of finished apparel products (2020: approximately 840,100 pieces). The sale volume of bottoms, outerwear, top and other products were approximately 498,500 pieces, 261,700 pieces, 139,800 pieces and 232,600 pieces respectively for the Period under Review and approximately 403,300 pieces, 218,800 pieces, 80,200 pieces and 137,800 pieces respectively for the Corresponding Period. The average selling price of the products for the Period under Review was approximately HK\$217 per piece of finished apparel products (2020: approximately HK\$231 per piece). The average selling price per piece of bottoms, outerwear, tops and other products amounted to approximately HK\$143, HK\$435, HK\$183 and HK\$152 respectively for the Period under Review, and approximately HK\$149, HK\$399, HK\$287 and HK\$174 respectively for the Corresponding Period.

Other Revenue

Other revenue for the Period under Review was approximately HK\$4,509,000 (2020: HK\$7,244,000). The decrease was mainly due to the government grants of approximately HK\$2,890,000 from the Hong Kong Government for the employment support in the Corresponding Period.

Other Gains and Losses, Net

The net other losses amounted to approximately HK\$155,000 (2020: a gain of approximately HK\$1,573,000). It comprises chiefly of fair value changes on prepaid insurance premium HK\$105,000 and exchange loss HK\$260,000 (Corresponding Period: Fair value on prepaid insurance premium HK\$116,000; exchange loss HK\$486,000 and Reversal of expected credit loss in Accounts Receivable HK\$2,477,000).

Selling and Distribution Costs

Selling and Distribution Costs for the Period under Review amounted to approximately HK\$11,522,000, representing a decrease of approximately 11.1% from approximately HK\$12,969,000 for the Corresponding Period. The decrease was mainly due to lower freight and staff costs.

General and Administrative Expenses

With the Group's continued effort on cost control, the general and administrative expenses for the Period under Review decreased by 3.4% from approximately HK\$25,424,000 for the Corresponding Period to approximately HK\$24,550,000 for the Period under Review. The minor decrease in HK\$874,000 was mainly due to lower depreciation expense as some fixed assets became fully depreciated.

Finance Costs

Finance costs decreased by approximately 43.1% to approximately HK\$2,319,000 for the Period under Review from approximately HK\$4,077,000 for the Corresponding Period. It was mainly due to the interest expenses on the shareholders' loans for the Corresponding Period while the shareholders' loans are interest free during the Period under Review.

Financial Position

As at 30 September 2021, the Group's cash and cash equivalents amounted to approximately HK\$53,766,000 (31 March 2021: approximately HK\$63,853,000).

Inventories decreased by approximately HK\$12,442,000, i.e. 34.7% to approximately HK\$23,407,000 as at 30 September 2021 from approximately HK\$35,849,000 as at 31 March 2021. The decrease was mainly due to peak shipping month for Fall season being July to September, with inventory at end of September normally less than that at end of March. Trade and other receivables increased by approximately HK\$86,937,000 to approximately HK\$247,922,000 (31 March 2021: approximately HK\$160,985,000). The increase was mainly due to (a) much higher sales of approximately HK\$246 million for the Period under review compared with sales of approximately HK\$194 million for the Corresponding Period; and (b) the seasonal nature in sales as the peak shipping months are typically July to September for the Fall season.

Bank borrowings decreased by approximately 3.4% to approximately HK\$229,048,000 (31 March 2021: approximately HK\$237,022,000). Trade, bills and other payables increased by 46.1% from approximately HK\$76,637,000 to approximately HK\$111,993,000. The increase is mainly attributable to not only the seasonal effect but also the increased sales for the Period under Review. At 30 September 2021, the net current liabilities amounted to approximately HK\$28,289,000 (31 March 2021: net current liabilities approximately HK\$66,829,000). The current liability included bank loans of approximately HK\$1,056,000 as at 30 September 2021 (31 March 2021: approximately HK\$5,130,000) that are not scheduled to be repaid within one year with maturities ranging from one year to three years but they are classified as current liability only because of the repayment on demand clause as stipulated in the relevant loan agreements.

PROSPECTS

The improvement in sales revenue recorded in the Period under Review is set to continue in the second half of the year ending 31 March 2022, as the recovery from the demand shock at the onset of COVID-19 in early 2020 gathered pace since the fall of 2020. The U.S. apparel sales in 2021 is on track to be higher than the level in pre-pandemic 2019, but the record surge in online retail sales in 2020 holiday season (about 33%) will likely turn into a much more moderate increase (about 10% growth as per Adobe Analytics) in 2021. This expectation is a result of rising retail prices chiefly due to the strong economic recovery, monetary and fiscal stimuli, but more significantly, inventory shortages caused by the widespread bottlenecks in logistics throughout the supply chain from the Asian manufacturers, ocean/air freight capacity and unprecedented congestions at US ports to shortages in manpower and equipment for US domestic transportation.

While the orders on hand may indicate a strong second half for 2021/22, the Group is cognizant of the risks to the timing of our sales revenue recognition and higher cost of transport and late delivery because of this supply chain quagmire we are all exposed to. A great majority of our sales is on FOB terms, but sales to two of the Group's new customers constituting about 10% of our revenue are on LDP terms. The Company is redoubling our efforts in logistics management to ensure any disruption is kept to the minimum.

Looking ahead, we do expect steady growth of business from our existing customers, albeit at a much lower rate than experienced in the current year. The supply chain problems may start to ease as spot ocean freight rates seem to have receded from its recent peak. Coupled with the new initiatives from the US governments, the port authority and unions to free up the log jam at U.S. ports, there are reasons to be optimistic. Barring a resurgent pandemic causing havoc to the economy again, and with our continuing focus on cost control, the Company sees a gradual return to normality after the significant sales improvement in the current year 2021/22.

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. With effect from 6 July 2021, every four (4) issued and unissued shares of the Company with nominal value of HK\$0.01 each were consolidated into one (1) consolidated share of the Company with nominal value of HK\$0.04 each (the "Share Consolidation"). The nominal values of both the authorized and the issued ordinary share remain the same. Further details of the Share Consolidation are set out in the announcements dated 3 June 2021, 2 July 2021 and circular of the Company dated 11 June 2021.

The Group's financial position remained healthy and stable. The Group generally finances its operations primarily through bank borrowings and internal resources. 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 2021, the Group had cash and bank balances amounting to approximately HK\$53,766,000 (as at 31 March 2021: approximately HK\$63,853,000), and current assets and current liabilities of approximately HK\$318,176,000 (as at 31 March 2021: approximately HK\$253,854,000) and HK\$346,465,000 (as at 31 March 2021: approximately HK\$320,683,000) respectively. It should be noted that the current liabilities balance as at 30 September 2021 included approximately HK\$1,056,000 (as at 31 March 2021: approximately HK\$5,130,000), the total of amounts due after one year but were included as current liabilities because of the repayment on demand clause as stipulated in bank loan documents.

As at 30 September 2021, there were bank borrowings of approximately HK\$229,048,000 (as at 31 March 2021: HK\$237,022,000). These bank borrowings obtained and repaid are mainly denominated in Hong Kong dollar and US dollar. As at 30 September 2021, the Group's interest-bearing bank borrowings carried mainly variable rate borrowings with annual interest rate of 0.51% to 2.37% per annum and are repayable by installments over a period of one to three years.

GEARING RATIO

As at 30 September 2021, the gearing ratio of the Group, based on total interest-bearing liabilities (primarily bank borrowings) of approximately HK\$229,048,000 (31 March 2021: HK\$237,022,000) to total equity (including all capital and reserves) of approximately HK\$68,679,000 (31 March 2021: HK\$57,003,000) of the Company was 333.5% (31 March 2021: 415.8%). The increase in equity is mainly attributable to the waiver of a shareholder loan of US\$1.5 million during the Period under Review.

PLEDGE OF ASSETS

The bank borrowings of the Group are secured by (a) certain assets of the Group, (b) two properties (including 18th and 19th floors and four car parking spaces located in Win Plaza, San Po Kong, Kowloon) of related companies, which are owned indirectly by the largest single shareholder of the Group and a former controlling shareholder (currently also a director) of the Group, and (c) the personal guarantees of the former controlling shareholder (currently also a director), the largest single shareholder and his spouse who is also a director of the Company.

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

Save as disclosed in note 11 of the condensed consolidated financial statements, there were no other material investment or additions of capital assets authorised by the Board at the date of this interim results announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2021, the Group employed 1,419 (as at 31 March 2021: approximately 1,584) full-time employees in Hong Kong, the PRC and Sri Lanka. The Group recognizes the importance of maintaining good relationship with its employees and retains competent staff to ensure operational efficiency and effectiveness. The remuneration packages offered to the Group's employees are based on each employee's qualifications, relevant experience, position and seniority. The Group conducts reviews 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 material labour disputes which had materially disrupted its operation during such period. The Group has not experienced any difficulties in the recruitment of experienced and skilled staff.

TREASURY POLICIES AND FOREIGN CURRENCY EXPOSURE

The Group is exposed to foreign currency risk which refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional currency is Hong Kong dollar ("HK\$") and it carries out foreign currency transactions in United States dollar ("US\$"), Euro ("EUR"), Renminbi ("RMB") and Sri Lankan Rupees ("LKR"). Since HK\$ is pegged to US\$, the Group does not expect any significant movement in the US\$/HK\$ exchange rate. The currencies giving rise to exchange risks are primarily EUR, RMB and LKR. The Group has not experienced any material difficulty or liquidity problems resulting from foreign exchange fluctuations.

Although the Group currently does not undertake any hedging activities, it will monitor exchange rate trends from time to time to consider if there is such a need to mitigate any risks arising from foreign exchange fluctuations.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The Group has no other capital commitment and contingent liabilities at 30 September 2021.

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

During the Period under Review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Rules ("Listing Rules") Governing the Listing of Securities on The Stock Exchange. Having made specific enquiry to each of the Directors, the Company has received confirmations from all Directors that they have complied with the required standards as set out in the Model Code during the Period under Review.

CORPORATE GOVERNANCE

The Board appreciates that good corporate governance is vital to the healthy and sustainable development of the Group. In the opinions of the Directors, the Company had complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the Period under Review.

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 has reviewed the Group's unaudited interim financial information for the Period under Review.

INTERIM DIVIDEND

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

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*
Choi Siu Wai William
Chairman

Hong Kong, 29 November 2021

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

* For identification purpose only