



STERLING GROUP  
— HOLDINGS LIMITED —  
美臻集團控股有限公司

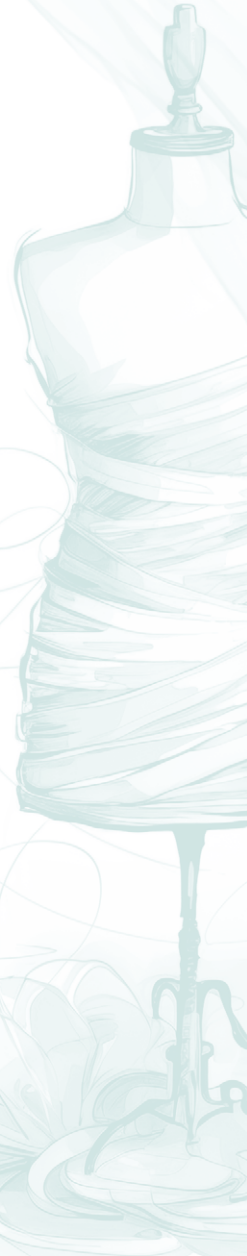
2023  
INTERIM REPORT

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 1825



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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Ms. Wong Mei Wai Alice (*Chairperson*)

Mr. Siu Yik Ming

Mr. Chung Sam Kwok Wai

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tsang Ho Yin

Ms. Zhang Lingling

Mr. Choi Wai Hin

### JOINT COMPANY SECRETARIES

Mr. Kwong Lun Kei Victor

Ms. Wong Wing Yee

### AUDIT COMMITTEE

Mr. Choi Wai Hin (*Chairperson*)

Mr. Tsang Ho Yin

Ms. Zhang Lingling

### REMUNERATION COMMITTEE

Mr. Tsang Ho Ying (*Chairperson*)

Ms. Wong Mei Wai Alice

Ms. Zhang Lingling

Mr. Choi Wai Hin

### NOMINATION COMMITTEE

Ms. Wong Mei Wai Alice (*Chairperson*)

Mr. Tsang Ho Yin

Ms. Zhang Lingling

Mr. Choi Wai Hin

### AUTHORISED REPRESENTATIVES

Mr. Chung Sam Kwok Wai

Mr. Siu Yik Ming

### REGISTERED OFFICE

3rd Floor, Century Yard

Cricket Square

P.O. Box 902

Grand Cayman, KY1-1103

Cayman Islands

### HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18-19/F, Win Plaza

9 Sheung Hei Street

San Po Kong

Kowloon

Hong Kong

### COMPANY WEBSITE

<http://www.sterlingapparel.com.hk>

**AUDITORS****Baker Tilly Hong Kong Limited**

*Certified Public Accountants*

*Registered Public Interest Entity Auditor*

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Hong Kong

**LEGAL ADVISOR****Michael Li & Co.**

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Central

Hong Kong

**STOCK CODE**

01825

**PRINCIPAL BANKS****Hang Seng Bank**

83 Des Voeux Road Central

Central

Hong Kong

**The Hongkong and Shanghai Banking Corporation Limited**

HSBC Main Building

1 Queen's Road Central

Central

Hong Kong

**PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS****Tricor Services (Cayman Islands) Limited**

3rd Floor, Century Yard

Cricket Square

P.O. Box 902

Grand Cayman, KY1-1103

Cayman Islands

**BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG****Tricor Investor Services Limited**

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

## FINANCIAL HIGHLIGHTS

## Six months ended 30 September

	2023 (Unaudited)	2022 (Unaudited)
<b>Operating results (HK\$'000)</b>		
Revenue	<b>322,182</b>	337,736
Gross profit	<b>51,105</b>	52,789
Gross profit margin	<b>15.9%</b>	15.6%
Selling and distribution costs	<b>(12,914)</b>	(18,652)
General and administrative expenses	<b>(26,526)</b>	(23,495)
Operating profit	<b>7,161</b>	11,328
Expected credit loss recognised on trade and other receivables, net ("ECL")	<b>(15,121)</b>	–
<b>(Loss)/Profit for the period</b>	<b>(7,960)</b>	11,328
Add back:		
Depreciation charges	<b>3,534</b>	5,127
Finance costs	<b>8,082</b>	4,399
Income tax expense	<b>–</b>	–
<b>EBITDA* after ECL</b>	<b>3,656</b>	20,854
Add: Expected credit loss recognised on trade and other receivable, net	<b>15,121</b>	–
<b>EBITDA* before ECL</b>	<b>18,777</b>	20,854
(LOSS)/EARNINGS PER SHARE		
– Basic and diluted (HK cents)	<b>(3.32)</b>	5.66
Net profit margin	<b>(2.5%)</b>	3.4%
Return on total assets	<b>(2.8%)</b>	3.7%
Return on equity	<b>(18.2%)</b>	36.1%
Interest coverage ratio	<b>0.02 times</b>	3.58 times
	<b>At 30 September 2023 (Unaudited)</b>	<b>At 31 March 2023 (Audited)</b>
<b>Financial position (HK\$'000)</b>		
Total assets	<b>287,673</b>	301,574
Net assets	<b>40,324</b>	47,003
Cash and cash equivalents	<b>15,138</b>	20,851
<b>Key ratios</b>		
Current ratio	<b>0.77 times</b>	0.80 times
Quick ratio	<b>0.63 times</b>	0.59 times
Gearing ratio	<b>315.2%</b>	309.8%
Debt-to-equity ratio	<b>277.6%</b>	265.4%

\* 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.

## **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 costs, 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 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:

	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
	<b>322,182</b>	<b>1,445</b>		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:

	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%
	<b>322,182</b>	<b>100.0%</b>	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 Director, who is spouse of a substantial shareholder 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 exposes 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 of the Shares on The Stock Exchange of Hong Kong Limited ("SEHK") on 19 October 2018 (the "Listing Date") up to the date of this report.

### **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 report 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 SEHK (stock code: 1429).

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

## INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVE

As at 30 September 2023, the interests and short positions of each Director and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Commission ("SFO")) which were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to our Company and SEHK pursuant to the Model Code, were as follows:

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

<b>Director</b>	<b>Nature of interest</b>	<b>Number of Shares held<sup>(1)</sup></b>	<b>Percentage of interest in the Company</b>
Ms. Wong Mei Wai Alice	Interest of spouse <sup>(2)</sup>	40,100,000 (L)	16.7%

Notes:

- The letter "L" denotes long position in the shares held.
- Ms. Wong Mei Wai Alice, the executive Director, is the spouse of Mr. Siu Chi Wai and is deemed to be interested in the Shares in which Mr. Siu Chi Wai is interested in under Part XV of the SFO. These shares are owned by Moonlight Global Holdings Limited, which is a corporation wholly owned by Mr. Siu Chi Wai.

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

**INTEREST OF SUBSTANTIAL SHAREHOLDERS**

As at 30 September 2023, so far as our Directors are aware, the following persons had an interest or short position in the Shares or the underlying Shares as recorded in the register required to be kept under section 336 of the SFO or which were required to be disclosed to our Company and SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO:

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number of Shares<sup>(1)</sup></b>	<b>Percentage of shareholding</b>
Moonlight Global Holdings Limited ("Moonlight")	Beneficial owner	40,100,000 (L)	16.7%
Mr. Siu Chi Wai	Interest of controlled corporation <sup>(2)</sup>	40,100,000 (L)	16.7%
Ms. Wong Mei Wai Alice	Interest of spouse <sup>(3)</sup>	40,100,000 (L)	16.7%

Notes:

1. The letter "L" denotes a long position in the Shares.
2. The issued share capital of Moonlight is wholly owned by Mr. Siu Chi Wai. Mr. Siu Chi Wai is deemed to be interested in the Shares in which Moonlight is interested in under Part XV of the SFO.
3. Ms. Wong Mei Wai Alice, the executive Director, is the spouse of Mr. Siu Chi Wai and is deemed to be interested in the Shares in which Mr. Siu Chi Wai is interested in under Part XV of the SFO. Moonlight is a corporation which is wholly owned by Mr. Siu Chi Wai.

Save as disclosed above, as at the date of this report, the Directors are not aware of any other person had a beneficial interest or short position in the Shares as recorded in the register required to be kept under section 336 of the SFO or the underlying Shares which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**SHARE OPTION SCHEME**

The Company conditionally adopted a share option scheme upon passing the written resolutions of our shareholders on 21 September 2018 (the "Share Option Scheme"). Pursuant to the Share Option Scheme, our Directors may grant options to eligible participants to subscribe for the Shares subject to the terms and conditions stipulated therein. Upon the listing of the Shares on the Listing Date, all conditions set forth have been satisfied. A maximum of 20,000,000 Shares, representing approximately 8.33% of the total number of Shares in issue as at the date of this report, may be issued upon exercise of all options to be granted under the Share Option Scheme. No share option has been granted under the Share Option Scheme since its adoption.

## NOTIFIABLE TRANSACTION

From 15 December 2022 to 27 October 2023, the advances (the "Santai Advances") made by the Group to Santai Global Asset Management Ltd ("Santai") 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 of the Santai Advances, please refer to the announcement of the Company dated 24 November 2023 (the "Announcement").

In addition to the information set out in the Announcement, the Company would like to supplement that (i) Mr. Choi Siu Wai William ("Mr. Choi") was a former non-executive director of the Company who resigned on 23 March 2022 and Santai was an associate (as defined under Chapter 14A of the Listing Rules) of Mr. Choi at the material time when the Santai Advances were made. As such, some advances made to Santai (i.e. advances made on 15 December 2022, 19 December 2022, 26 January 2023 and 14 March 2023) in the total amount of US\$2,050,000 (equivalent to approximately HK\$15,990,000) constituted a connected transaction on the part of the Company under Chapter 14A of the Listing Rules given that Mr. Choi was a director of the Company in the last 12 months; and (ii) as the highest applicable percentage ratio (i.e. the consideration ratio) in respect of the aggregate amount of the Santai Advances made within a 12-month period in the amount of US\$4,150,000 (equivalent to approximately HK\$32,370,000) exceeds 25% but is less than 100%, the Santai Advances constituted a major transaction of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The Company will publish further announcement to set out the above supplemental information as well as details of the connected transaction in due course.

## 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 report, 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.

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

\* For identification purposes only

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

		Six months ended 30 September	
	Notes	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (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	6	(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	7	(8,082)	(4,399)
(Loss)/Profit before income tax expense		(7,960)	11,328
Income tax expense	8	–	–
<b>(Loss)/Profit for the period</b>	9	<b>(7,960)</b>	11,328
<b>Other comprehensive (loss)/income, net of tax</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
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)
<b>Total comprehensive (loss)/income for the period</b>		<b>(6,679)</b>	9,084
		<b>HK cents</b>	<b>HK cents</b>
(Loss)/Earnings per share – Basic and diluted	11	<b>(3.32)</b>	5.66



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2023 HK\$'000 (Unaudited)	At 31 March 2023 HK\$'000 (Audited)
<b>Non-current assets</b>			
Prepaid insurance premium	12	8,888	8,783
Property, plant and equipment	13	38,371	39,371
Intangible assets	14	6,399	6,399
Right-of-use assets	15	25,121	26,073
Goodwill	16	15,819	15,819
Deferred tax assets		10,775	10,775
<b>Total non-current assets</b>		<b>105,373</b>	107,220
<b>Current assets</b>			
Inventories	17	33,708	52,825
Trade and other receivables	18	132,183	117,860
Amount due from related parties	22	1,107	2,656
Tax recoverable		164	162
Cash and cash equivalents		15,138	20,851
<b>Total current assets</b>		<b>182,300</b>	194,354
<b>Total assets</b>		<b>287,673</b>	301,574
<b>Current liabilities</b>			
Trade, bills and other payables	19	107,539	95,132
Bank borrowings	20	127,083	145,593
Lease liabilities	15	992	1,045
Tax payable		137	137
<b>Total current liabilities</b>		<b>235,751</b>	241,907
<b>Net current liabilities</b>		<b>(53,451)</b>	(47,553)

	Notes	<b>At 30 September 2023 HK\$'000 (Unaudited)</b>	At 31 March 2023 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Defined benefit obligation		<b>2,187</b>	2,219
Lease liabilities	15	<b>3,775</b>	4,383
Deferred tax liabilities		<b>5,636</b>	6,062
<b>Total non-current liabilities</b>		<b>11,598</b>	12,664
<b>Total Liabilities</b>		<b>247,739</b>	254,571
<b>NET ASSETS</b>		<b>40,324</b>	47,003
<b>Capital and reserves</b>			
Share capital	21	<b>9,600</b>	9,600
Share premium	21	<b>69,741</b>	69,741
Reserves		<b>(39,017)</b>	(32,338)
<b>TOTAL EQUITY</b>		<b>40,324</b>	47,003

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Contributed reserve HK\$'000	Translation reserve HK\$'000	Remeasurement reserve HK\$'000	Accumulated losses HK\$'000	Total equity HK\$'000
<b>At 1 April 2022 (audited)</b>	8,000	66,541	47,413	4,078	(4,687)	570	(95,070)	26,845
Profit for the period	-	-	-	-	-	-	11,328	11,328
Remeasurement loss on defined benefit plan for the period	-	-	-	-	-	(34)	-	(34)
Exchange differences arising on translation of foreign operations	-	-	-	-	(2,210)	-	-	(2,210)
Total comprehensive income/(loss) for the period	-	-	-	-	(2,210)	(34)	11,328	9,084
<b>At 30 September 2022 (unaudited)</b>	8,000	66,541	47,413	4,078	(6,897)	536	(83,742)	35,929
<b>At 1 April 2023 (audited)</b>	<b>9,600</b>	<b>69,741</b>	<b>45,700</b>	<b>4,078</b>	<b>(7,599)</b>	<b>626</b>	<b>(75,143)</b>	<b>47,003</b>
Loss for the period	-	-	-	-	-	-	(7,960)	(7,960)
Remeasurement loss on defined benefit plan for the period	-	-	-	-	-	-	-	-
Exchange differences arising on translation of foreign operations	-	-	-	-	1,281	-	-	1,281
Total comprehensive income/(loss) for the period	-	-	-	-	1,281	-	(7,960)	(6,679)
<b>At 30 September 2023 (unaudited)</b>	<b>9,600</b>	<b>69,741</b>	<b>45,700</b>	<b>4,078</b>	<b>(6,318)</b>	<b>626</b>	<b>(83,103)</b>	<b>40,324</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Six months ended 30 September</b>	
	<b>2023</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2022 HK\$'000 (Unaudited)
Net cash generated from operating activities	<b>19,396</b>	65,422
Cash flow from investing activities:		
Interest received	<b>705</b>	10
Repayment from related parties	<b>1,549</b>	1
Purchases of properties, plant and equipment	<b>(1,587)</b>	(1,019)
Proceeds from disposal of properties, plant and equipment	<b>174</b>	299
Net cash generated from/(used in) investing activities	<b>841</b>	(709)
Cash flow from financing activities:		
Proceed from bank borrowings	<b>355,355</b>	276,160
Repayment of bank borrowings	<b>(373,865)</b>	(317,677)
Repayment of shareholder's loan	–	(18,987)
Repayment of interest portion of the lease liabilities	<b>(175)</b>	(234)
Repayment of principal portion of the lease liabilities	<b>(512)</b>	(1,813)
Interest paid	<b>(7,907)</b>	(4,399)
Net cash used in financing activities	<b>(27,104)</b>	(66,950)
Net decrease in cash and cash equivalents	<b>(6,867)</b>	(2,237)
Cash and cash equivalents at beginning of the period	<b>20,851</b>	33,391
Effect of exchange rate changes on cash and cash equivalents	<b>1,154</b>	340
Cash and cash equivalents at end of the period	<b>15,138</b>	31,494
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS:</b>		
Bank balances and cash	<b>15,138</b>	31,494

## NOTES TO THE CONDENSED 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 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 SEHK ("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

Amendments to HKAS 8  
Amendments to HKAS 12

HKFRS 17

Disclosure of Accounting Policies

Definition of Accounting Estimates

Deferred Tax related to Assets and Liabilities arising from a  
Single Transaction

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:

		<b>Effective for annual periods beginning on or after</b>
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.

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

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

**6. OTHER GAINS AND LOSSES, NET**

	<b>Six months ended 30 September</b>	
	<b>2023 HK\$'000 (Unaudited)</b>	2022 HK\$'000 (Unaudited)
Fair value changes on prepaid insurance premium	<b>106</b>	106
Net exchange (loss)/gain	<b>(1,095)</b>	1,376
	<b>(989)</b>	1,482

**7. FINANCE COSTS**

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

**8. INCOME TAX EXPENSE**

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

	<b>Six months ended 30 September</b>	
	<b>2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2022 <i>HK\$'000</i> (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.

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

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

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (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.

## 10. DIVIDENDS

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (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.

**11. (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.

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

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

## 12. PREPAID INSURANCE PREMIUM

In February 2013, a subsidiary of the Company entered into a life insurance policy (the "Policy") with a bank to insure a director of the Company, Ms. Wong Mei Wai Alice. Under the Policy, the beneficiary and policy holder is a subsidiary of the Company and the total insured sum is US\$3,000,000 (equivalent to HK\$23,250,000). At inception of the Policy, the Group paid a gross premium of approximately US\$1,000,000 (equivalent to HK\$7,750,000). The bank will pay the Group a guaranteed interest at a rate of 4% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest at a rate of 2.0% per annum) during the effective period of the Policy. The Group can terminate the Policy at any time and can receive cash back at the date of termination based on the account value of the Policy ("Account Value"), which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus any charges made in accordance with the terms and conditions of the policy. If termination is made between the first policy year to the end of surrender period stated in the Policy, there is a specified amount of surrender charge deducted from Account Value.

The Policy exposes the insurer to significant insurance risk. The gross premium paid at inception of the Policy consists of elements of deposit placed and prepayment for life insurance. These two elements are recognized on the consolidated statement of financial position at the aggregate of the amount of gross premium paid plus interest earned, and after deducting the annual cost of insurance, other applicable charges as well as the amortisation of the expected surrender charge at the end of the tenth policy year.

The directors of the Company consider that the expected life of the Policy remains unchanged from the date of initial recognition and the financial impact of the option to terminate the Policy was not significant.

During the year, the prepaid insurance premium is pledged to secure general banking facilities granted to the Group (Note 20).

The prepaid insurance premium is denominated in US\$, a currency other than the functional currency of the subsidiary.

The fair value gain of HK\$106,000 (Corresponding period: HK\$106,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income for Period under Review.

## 13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the Period under Review, the Group acquired property, plant and equipment with a cost of approximately HK\$1,587,000 (Corresponding Period: HK\$1,019,000).

**14. INTANGIBLE ASSETS**

	<b>At 30 September 2023 HK\$'000 (Unaudited)</b>	At 31 March 2023 HK\$'000 (Audited)
Trademark		
Cost	<b>10,850</b>	10,850
Less: Impairment	<b>(4,451)</b>	(4,451)
At the end of the period/year	<b>6,399</b>	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 flow is 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 relationships 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.

**15. LEASES**

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

**Right-of-use assets**

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

	<b>At 30 September 2023 HK\$'000 (Unaudited)</b>	At 31 March 2023 HK\$'000 (Audited)
Ownership interests in leasehold land held for own use, carried at depreciated cost	<b>20,799</b>	21,090
Properties leased for own use, carried at depreciated cost	<b>4,322</b>	4,983
	<b>25,121</b>	26,073

The right-of-use assets represent the Group's rights to use underlying leased premises under operating lease arrangements over the lease terms, which are stated at cost less accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liabilities.

**Lease liabilities**

	<b>At 30 September 2023 HK\$'000 (Unaudited)</b>	At 31 March 2023 HK\$'000 (Audited)
Maturity analysis		
Less than one year	<b>992</b>	1,045
Over one year and more	<b>3,775</b>	4,383
<b>Total lease liabilities</b>	<b>4,767</b>	5,428
Analysed as:		
Current portion	<b>992</b>	1,045
Non-current portion	<b>3,775</b>	4,383
	<b>4,767</b>	5,428

**16. GOODWILL**

	<b>At 30 September 2023 HK\$'000 (Unaudited)</b>	At 31 March 2023 HK\$'000 (Audited)
At the beginning of the period/year	<b>15,819</b>	16,824
Exchange realignment	-	(1,005)
At the end of the period/year	<b>15,819</b>	15,819



**Impairment tests for cash-generating unit containing goodwill**

For the purpose of impairment testing, goodwill arising from the business combinations is allocated to the appropriate cash-generating unit ("CGU") of the Group identified as follows:

	<b>At 30 September 2023 HK\$'000 (Unaudited)</b>	At 31 March 2023 HK\$'000 (Audited)
Manufacturing and trading of apparel products	<b>15,819</b>	15,819

The recoverable amount for the CGU is determined based on value-in-use calculations. These calculations use pre-tax discounted cash flow projections based on multiple-scenario financial budgets approved by management covering a 5-year period, with each of the scenarios probability weighted. In view of the fact that the U.S. retail market has recovered strongly from the depressed trading conditions caused by the pandemic in 2020 and that the Group's sales performance has likewise rebounded compared with last year and is expected continuously to grow in the following four years.

**17. INVENTORIES**

	<b>At 30 September 2023 HK\$'000 (Unaudited)</b>	At 31 March 2023 HK\$'000 (Audited)
Raw materials and consumables	<b>21,247</b>	44,061
Work-in-progress	<b>2,419</b>	2,321
Finished goods	<b>10,042</b>	6,443
	<b>33,708</b>	52,825

## 18. TRADE AND OTHER RECEIVABLES

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

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

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

**19. TRADE, BILLS AND OTHER PAYABLES**

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

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

	<b>At 30 September 2023 HK\$'000 (Unaudited)</b>	At 31 March 2023 HK\$'000 (Audited)
0–30 days	<b>24,227</b>	19,710
31–90 days	<b>730</b>	1,566
91–365 days	<b>117</b>	1,045
Over 365 days	<b>281</b>	1,028
	<b>25,355</b>	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.

## 20. BANK BORROWINGS

	<b>At 30 September 2023 HK\$'000 (Unaudited)</b>	At 31 March 2023 HK\$'000 (Audited)
Interest bearing		
– trust receipt loans, secured (Notes (a) and (b))	<b>111,677</b>	134,762
– term and revolving loans, secured (Notes (a) and (b))	<b>15,406</b>	10,831
	<b>127,083</b>	145,593

Notes:

- (a) All of the bank borrowings are repayable on demand (with demand clause) or within one year.
- (b) The bank borrowings are secured by the certain assets held by the Group and two related companies, the personal guarantee of a director (who is spouse of a substantial shareholder and a director of subsidiaries of the Group) as at 30 September 2023. The carrying amount of the assets of the Group pledged is as follows:

	<b>At 30 September 2023 HK\$'000 (Unaudited)</b>	At 31 March 2023 HK\$'000 (Audited)
Prepaid insurance premium	<b>8,888</b>	8,783
Time deposit	<b>10,000</b>	–

- (c) All of the bank borrowings are repayable on demand (with demand clause) or within one year. They are classified as current liabilities as the related loan agreements contain a clause that provides the lenders with an unconditional right to demand repayment at any time at their own discretion. None of the portion of these bank loans due for repayment after one year which contains a repayment on demand clause and that is classified as a current liability is expected to be settled within one year.

The amounts due are based on the scheduled repayment dates in the loan agreements and the effect of any repayment on demand clause is disregarded.

All of the banking facilities are subject to the fulfilment of covenants relating to certain of the Group's financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, which is up to date with the scheduled repayments of the term and revolving loans and does not consider it probable that the bank will exercise its discretion to demand repayment for so long as the Group continues to meet these requirements.

The range of effective interest rates, from date of commencement of interests become chargeable, on the Group's bank loans are as follows:

	<b>At 30 September 2023 HK\$'000 (Unaudited)</b>	At 31 March 2023 HK\$'000 (Audited)
Effective interest rates: Bank loans	<b>5.38%–7.69% per annum</b>	1.70%–7.70% per annum

## 21. SHARE CAPITAL

	Number of ordinary shares	Nominal value <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
<b>Authorised:</b>			
At 1 April 2022, 31 March 2023 and 30 September 2023	2,500,000,000	100,000	–
<b>Issued and fully paid:</b>			
At 1 April 2022	200,000,000	8,000	66,541
Share placement ( <i>note</i> )	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 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.

## 22. RELATED PARTY DISCLOSURES

### (a) Connected parties transactions

The Group entered into the following transactions with its related parties during the six months ended 30 September 2023 and 2022:

Name of entities	Relationship with the Group	Nature of transactions	Six months ended 30 September	
			2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Win 18 Limited	Common director, Ms. Wong Mei Wai Alice (spouse of a substantial shareholder of the Company)	Office rental expenses	780	750
Win 19 Limited	Common director, Ms. Wong Mei Wai Alice (spouse of a substantial shareholder of the Company)	Office rental expenses	780	750
Kam Li Fashion Factory	Common shareholder, Mr. Siu Chi Wai	Motor vehicle rental expenses	150	–

Note: Rental expenses were charged at a fixed monthly fee mutually agreed. These transactions were de minimis continuing connected transactions exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

### (b) Key management personnel compensation

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Salaries and other allowances	5,408	5,105
Discretionary bonus	1,475	–
Retirement benefit scheme contributions	27	27
	<b>6,910</b>	5,132



**(c) Outstanding balances with related parties**

Details of the Group's amount due from related parties are set out as follows respectively:

	<b>At 30 September 2023 HK\$'000 (Unaudited)</b>	At 31 March 2023 HK\$'000 (Audited)
Amounts due from related parties	<b>1,107</b>	2,656

Note: Amounts due from related parties are unsecured, interest-free and repayable on demand.

**23. FINANCIAL INSTRUMENTS****Categories of financial instruments**

The following table shows the carrying amount and fair value of financial assets and liabilities:

	<b>At 30 September 2023 HK\$'000 (Unaudited)</b>	At 31 March 2023 HK\$'000 (Audited)
<b>Financial assets</b>		
<i>At amortised cost</i>		
– Trade and other receivables	<b>129,677</b>	115,271
– Amount due from related parties	<b>1,107</b>	2,656
– Cash and cash equivalents	<b>15,138</b>	20,851
	<b>145,922</b>	138,778
<b>Financial liabilities</b>		
<i>At amortised cost</i>		
– Trade, bills and other payables	<b>107,539</b>	95,132
– Bank borrowings	<b>127,083</b>	145,593
– Lease liabilities	<b>4,767</b>	5,428
	<b>239,389</b>	246,153