2020

Interim Report

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Ms. Wong Mei Wai Alice
Mr. Siu Yik Ming
Mr. Chung Sam Kwok Wai

NON-EXECUTIVE DIRECTOR

Mr. Choi Siu Wai William *(Chairman)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kee Huen Michael
Mr. Cheng King Hoi Andrew
Mr. Ko Ming Tung Edward

COMPANY SECRETARY

Ms. Chan Yuet Kwai

AUDIT COMMITTEE

Mr. Chan Kee Huen Michael *(Chairman)*
Mr. Cheng King Hoi Andrew
Mr. Ko Ming Tung Edward

REMUNERATION COMMITTEE

Mr. Ko Ming Tung Edward *(Chairman)*
Ms. Wong Mei Wai Alice
Mr. Choi Siu Wai William
Mr. Chan Kee Huen Michael
Mr. Cheng King Hoi Andrew

NOMINATION COMMITTEE

Mr. Choi Siu Wai William *(Chairman)*
Ms. Wong Mei Wai Alice
Mr. Chan Kee Huen Michael
Mr. Cheng King Hoi Andrew
Mr. Ko Ming Tung Edward

AUTHORISED REPRESENTATIVES

Mr. Chung Sam Kwok Wai
Mr. Siu Yik Ming

REGISTERED OFFICE

2nd 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

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

FINANCIAL ADVISOR

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road
Central
Hong Kong

LEGAL ADVISOR

Michael Li & Co.
19th Floor, Prosperity Tower
No. 39 Queen's Road Central
Central
Hong Kong

STOCK CODE

01825

PRINCIPAL BANKS

Hang Seng Bank
83 Des Voeux Road
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road
Central
Hong Kong

United Overseas Bank Limited
23/F, 3 Garden Road
Central
Hong Kong

Standard Chartered Bank (Hong Kong) Limited
12th Floor, Standard Chartered Bank Building
4–4A Des Voeux Road
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Tricor Services (Cayman Islands) Limited
2nd 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
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

FINANCIAL HIGHLIGHTS

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue	**194,272**	315,157
Gross profit	**34,525**	51,324
Gross profit margin	**17.8%**	16.3%
Profit before income tax expense	**872**	1,103
Profit for the period	**572**	1,151
EARNINGS PER SHARE		
– Basic *(HK cents)*	**0.07**	0.14
EBITDA*	**12,647**	15,523
Net profit margin	**0.3%**	0.4%
Return on total assets	**0.1%**	0.2%
Return on equity	**1.0%**	1.0%
Interest coverage ratio	**1.2 times**	1.2 times

	At	At
	30 September	31 March
	2020	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Total assets	**428,815**	373,517
Net assets	**57,077**	56,692
Cash and cash equivalents	**67,725**	47,836
Current ratio	**0.92 times**	0.79 times
Quick ratio	**0.81 times**	0.68 times
Gearing ratio	**432.2%**	408.2%
Debt-to-equity ratio	**313.6%**	323.9%

* *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

The six months ended 30 September 2020 ("Period under Review") bore the brunt of impact from the economic disruptions caused by the coronavirus disease 2019 ("COVID-19") in early 2020 across Asia to America and Europe. By early March, Europe, U.K. and most of the States in U.S. have already implemented stay-at-home orders, lockdown of businesses and schools, as well as travel restrictions especially internationally. The Group's factories were also locked down in the Philippines from the middle of March to the end of April and in Sri Lanka from late March to early May.

The most devastating effect of the pandemic, other than the human tolls, is the sharp contraction in economic activities and consumer spending leading to abrupt reduction of orders for the coming seasons. Orders that were already in work faced relatively minor consequence, thanks to the support and understanding from the Group's major customer. However Holiday orders that were supposed to be placed in March 2020 for later shipping commencing at end of August were most severely affected. The largest impact came from the airlines uniforms business. Not only was the scheduled re-launch of a new uniform program from our airlines customer aborted, the periodic replenishment also came to a halt in 2020. Business development from the Group's new customers was also either deferred indefinitely, as was the case with our new U.K. e-commerce customer, or was postponed by a season from Fall 2020 to Spring/ Summer 2021, as was the case with our new U.S. customer in multimedia marketing.

The most damaging fallout from the closure of many physical retail stores in the U.S. was the Chapter 11 filing by the Group's major customer on 4 May 2020, as reported in earlier disclosure and announcement. What is worth noting is that this customer quickly emerged from Chapter 11 protection in early September 2020 on a more assured financial footing as its former debt load of US$1.7 billion was equitized.

The Group's revenue decreased by HK$120,885,000, about 38.4% to approximately HK$194,272,000 for the Period under Review from approximately HK$315,157,000 for the six months ended 30 September 2019 ("Corresponding Period"). The gross profit of the Group decreased to approximately HK$34,525,000 for the Period under Review compared with HK$51,324,000 for the Corresponding Period, but the gross profit margin increased slightly from 16.3% for the Corresponding Period to 17.8% for the Period under Review. The improvement in margin was largely a result of decreases in manufacturing costs in the Group's factories in Panyu (which saw its headcount reduced from about 600 to about 300 in the last two years), and to a lesser extent, in Sri Lanka (reducing its headcount in the Katunayake factory from about 1,350 to 1,050 over the last twelve months).

There were large decreases in selling and distribution costs and general and administrative expenses in the Hong Kong office, which totaled about HK$11.8 million in the six months in year-on-year comparison. The cost savings are primarily due to a salary rollback of 30% effective on 1 April 2020 when news of financial stress about the Group's major customer first became public, and a subsequent retrenchment program effective on 1 July 2020, two months after the major customer in the U.S. filed Chapter 11. The Group recorded other revenue of approximately HK$7,244,000, as compared to approximately HK$3,016,000 for the Corresponding Period, with the increase largely a result of the employment support subsidy of approximately HK$2.9 million from the Hong Kong Government.

Despite the significant decrease in turnover, the Group managed to record a profit of approximately HK$572,000 for the Period under Review as compared to a net profit of HK$1,151,000 for the Corresponding Period.

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 840,100 pieces of finished apparel products (2019: approximately 1,363,900 pieces). The decrease in sale volume is mainly attributable to the decrease in sale volume of bottom and outwear. The sale volume of bottoms, outerwear, top and other products were approximately 403,300 pieces, 218,800 pieces, 80,200 pieces and 137,800 pieces respectively for the Period under Review and approximately 618,300 pieces, 516,800 pieces, 82,800 pieces and 146,000 pieces respectively for the Corresponding Period. The average selling price of the products for the Period under Review was approximately HK$231 per piece of finished apparel products (2019: approximately HK$231 per piece). The average selling price per piece of bottoms, outerwear, tops and other products amounted to approximately HK$149, HK$399, HK$287 and HK$174 respectively for the Period under Review, and approximately HK$153, HK$324, HK$222 and HK$237 respectively for the Corresponding Period.

Selling and Distribution Costs

Selling and Distribution Costs for the Period under Review amounted to approximately HK$12,969,000, representing a decrease of approximately 24.2% from approximately HK$17,112,000 for the Corresponding Period. The decrease was partly due to a lower sales turnover, but largely a result of migrating certain merchandizing functions to the Group's factory in Panyu. However, the decrease was partly offset by the increase in freight charges, as a result of late delivery caused by the factory lockdown in Philippines and Sri Lanka.

General and Administrative Expenses

At the first sign of financial instability afflicting a major customer in the U.S., the Group has implemented strong measures to reduce expenses since early April 2020. General and administrative expenses for the Period under Review decreased by 23.3% from approximately HK$33,128,000 for the Corresponding Period to approximately HK$25,424,000 for the Period under Review. For the Period under Review, the depreciation of property, plant and equipment was approximately HK$2,914,000, a decrease of 39.3% from the Corresponding Period. The decrease was mainly due to the changes in depreciable lives of certain property, plant and equipment of the Group for accounting purposes with effect from 1 April 2020. The changes are as follows:

Category of fixed assets	Depreciable lives before the changes	Depreciable lives after the changes
Buildings	20–50 years	30–50 years
Office Equipment	5 years	10 years
Furniture and Fixtures	5 years	10 years
Plant and Machinery	5–10 years	10 years

Finance Costs

Finance costs decreased by approximately 16.9% to approximately HK$4,077,000 for the Period under Review from approximately HK$4,907,000 for the Corresponding Period. It was mainly due to the decrease in bank's interest rate for borrowing during the Period under Review.

Financial Position

As at 30 September 2020, the Group's cash and cash equivalents amounted to approximately HK$67,725,000 (31 March 2020: approximately HK$47,836,000).

Inventories increased by approximately HK$2,653,000, i.e. 7.7% to approximately HK$37,312,000 as at 30 September 2020 from approximately HK$34,659,000 as at 31 March 2020. The increase was mainly due to delay in delivery of some orders from factory lockdown.

Trade and other receivables increased by approximately HK$38,588,000 to approximately HK$197,319,000 (31 March 2020: approximately HK$158,731,000). The increase was mainly seasonal in nature as sales in the two months ended 30 September 2020 were much higher than that of the two months ended 31 March 2020. Bank borrowings increased by approximately 6.6% to approximately HK$246,701,000 (31 March 2020: approximately HK$231,439,000), primarily due to the increased utilization of trade finance facilities to support the increase in inventories and trade receivables relative to the balance at 31 March 2020.

At 30 September 2020, the net current liabilities amounted to approximately HK$26,227,000 (31 March 2020: net current liabilities approximately HK$64,483,000). The current liability included (1) bank borrowing of approximately HK$9,784,000 as at 30 September 2020 (31 March 2020: approximately HK$13,603,000) that are not scheduled to be repaid within one year with maturities ranging from one year to three years but it is classified as current liability only because of the repayment on demand clause as stipulated in the relevant loan agreements.

PROSPECTS

While the world is still in the throes of battling the recent surge in COVID-19 cases, there are reasons to be cautiously optimistic that we may have seen the nadir of this severe economic contraction in the U.S. which saw its GDP decrease 31% from 1st quarter to 2nd quarter in 2020. American consumers are more resilient than what was feared earlier in the year as we have seen a dramatic increase in retail online sales with the 3rd quarter GDP rebounding at an estimated annual rate of 33% from 2nd quarter. The quick and steady recovery of China's economy in the last two quarters since a sharp contraction in 1st quarter also provided a strong backdrop from which we may soon regain a semblance of normalcy in our economy. The recent success of six vaccines approved for limited use plus thirteen in phase III trials and fifty-four in phase I & II all contributed to a more optimistic outlook in 2021.

The Group's financial performance for the next six months will continue to show the lingering effects of the disruption thrust upon us in early 2020. The reduced orders for Holiday 2020 and the unsold inventory of Spring/Summer 2020 goods leading to smaller buys for Spring/Summer 2021 will all be felt in the 2nd half of 2020. The work-from-home phenomenon has also given rise to changes in consumer behavior as they prefer more casual clothing to more constructed apparels such as coats and jackets, which have been the mainstay of our Fall and Holiday production. What is encouraging is the business with our new customer, iMedia Brands, with whom we started with a modest program for Spring/Summer 2021, evolving into a larger program in Fall Holiday 2021. We see a clear opportunity for growth with iMedia as we cement our relationship with performance.

The loss of the airlines uniforms business (approximately HK$132,000,000 in 2019) will continue to hurt our year-on-year sales comparison, until the airlines start flying again. However, with the economy stabilizing and adapting to the new normal, it is not unreasonable to expect the sales from our major customers will rebound in 2021. We are confident that with the austerity measures and retrenchment plan being implemented company wide, we will have significantly brought down the breakeven point of the Group's overall business.

LIQUIDITY, CAPITAL RESOURCES AND CAPITAL STRUCTURE

The Company manages its capital structure with the objectives of ensuring that the businesses of the Group can continue to maintain a sustainable growth and providing a long term reasonable return to its Shareholders. The Group's financial position remained healthy and stable. The Group generally finances its operations primarily through bank borrowings and internal resources. 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 2020, the Group had cash and bank balances amounting to approximately HK$67,725,000 (as at 31 March 2020: approximately HK$47,836,000), and current assets and current liabilities of approximately HK$303,434,000 (as at 31 March 2020: approximately HK$242,304,000) and HK$329,661,000 (as at 31 March 2020: approximately HK$306,787,000) respectively. It should be noted that the current liabilities balance as at 30 September 2020 included approximately HK$9,784,000 (as at 31 March 2020: approximately HK$13,603,000), 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 2020, there were bank borrowings of approximately HK$246,701,000 (as at 31 March 2020: HK$231,439,000). These bank borrowings obtained and repaid are mainly denominated in Hong Kong dollar and US dollar. As at 30 September 2020, the Group's interest-bearing bank borrowings carried mainly variable rate borrowings with annual interest rate of 0.7% to 4.75% per annum and are repayable by installments over a period of one to three years.

GEARING RATIO

As at 30 September 2020, the gearing ratio of the Group, based on total interest-bearing liabilities (primarily bank borrowings) approximately HK$246,701,000 to total equity (including all capital and reserves) approximately HK$57,077,000 of the Company was 432.2% (31 March 2020: 408.2%).

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 two controlling shareholders of the Group, and share common directors of the Group, and (c) the personal guarantees of the two controlling shareholders, one of their spouses who's also a director, and a related party of the other controlling shareholder who together with that controlling shareholder jointly owns a related company.

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

On 31 May 2019, an indirect wholly-owned subsidiary of the Company entered into an Intellectual Property Purchase Agreement with the seller pursuant to which the seller has agreed to sell, convey, transfer and assign certain intellectual property rights to the buyer for a cash consideration of US$1,400,000. Concurrently, the buyer, as the licensor, and the seller, as the licensee, entered into a License agreement, pursuant to which the licensor grants to the licensee the rights to use the licensor's intellectual property to manufacture, sell and distribute products in the territory as defined in the license agreement for a certain royalty fee based on sales with a minimum annual amount equal to US$120,000. Additional details of the transaction can be found in the Company's announcement on 31 May 2019.

Save as disclosed above, there were no other material investment or additions of capital assets authorised by the Board at the date of this interim report.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, the Group employed 1,782 (as at 31 March 2020: approximately 2,279) 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 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 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.

The salary of all the employees had been reduced by 30% from April to June 2020, and since 1 July 2020 the salaries were restored to the pre-April 2020 level with certain adjustments for employees earning a higher salary. In addition, the directors' fees have also been reduced by 30% from April to June 2020. Effective on 1 July 2020, the Group conducted a staff retrenchment program to relocate some of the merchandising functions in the Hong Kong office to the Group's factory in China.

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 rate. 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 2020.

OTHER INFORMATION

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

On 19 October 2018 (the "Listing Date"), the shares of the Company (the "Shares") were listed on the Main Board of SEHK. The Group intended to apply the proceeds from the issuance 200,000,000 Shares at the offer price of HK$0.40 per Share (the "Share Offer") in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds", in the prospectus dated 29 September 2018 (the "Prospectus").

After deducting share issuance expense and professional fee regarding to the Share Offer, the net proceeds amounted to approximately HK$54,400,000.

CHANGE IN USE OF PROCEEDS

As set out in the announcement of the Company dated 26 November 2020 regarding the change in use of proceeds, the board (the "Board") of directors (the "Directors") of the Company, having considered the recent business environment and development of the Group and in particular the impact of the outbreak of the COVID-19 on the global business environment, resolved to change the use of the Unused Net Proceeds. As at the date of this report, the Unused Net Proceeds amounted to approximately HK$24.1 million (the "Unused Net Proceeds"), which will be reallocated for the use of general working capital. Set out below is the utilisation of the Net Proceeds up to the date of this report and the revised allocation of the Unused Net Proceeds:

	Percentage of Net Proceeds *(%)*	Planned use of the Net Proceeds *HK$' million*	Actual use of the Net Proceeds up to the date of this report *HK$' million*	Unutilised Net Proceeds as at the date of this report *HK$' million*	Changed use of the unutilized Net Proceeds *HK$' million*	Expect timeline for the intended use
Expanding and refurbishing production facilities located in Sri Lanka and the PRC	30	16.3	11.1	5.2	–	
Repayment of bank borrowings	25	13.6	13.6	–	–	
Acquisitions of production facilities	25	13.6	–	13.6	–	
Upgrading information technology system, lean manufacturing and productivity improvement program	10	5.4	0.1	5.3	–	
General working capital	10	5.5	5.5	–	24.1	before 31 December 2021
Net Proceeds		54.4	30.3	24.1	24.1	

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 with 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 healthy and sustainable development of the Group. In the opinion 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 report complies with Appendix 16 to the Listing Rules. The audit committee of the Company, comprising Mr. Chan Kee Huen Michael (chairman of the audit committee), Mr. Cheng King Hoi Andrew and Mr. Ko Ming Tung Edward, has reviewed the Group's unaudited interim financial information for the Period under Review.

INTERESTS OF DIRECTORS AND THE CHIEF EXECUTIVE

As at 30 September 2020, the interests and short positions of each Director and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and SEHK pursuant to the Model Code, are as follows:

Interests and/or short positions in the Company

Director	Nature of interest	Number of Shares held(1)	Percentage of Interest in the Company
Ms. Wong Mei Wai Alice	Interest of spouse(2)	300,000,000 (L)	37.5%
Mr. Choi Siu Wai William	Interest in controlled corporation(3)	272,000,000 (L)	34.0%

Notes:

1. The letter "L" denotes long position in the shares held.

2. Ms. Wong Mei Wai Alice is the spouse of Mr. Siu Chi Wai and is deemed to be interested in the Shares in which Mr. Siu Chi Wai is interested in under Part XV of the SFO. These shares are owned by Moonlight Global Holdings Limited. Moonlight Global Holdings Limited is wholly owned by Mr. Siu Chi Wai.

3. These shares are held by Rainbow Galaxy Limited. The issued share capital of Rainbow Galaxy Limited is ultimately wholly owned by two revocable trusts ("Choi's Family Trusts") both of which Mr. Choi Siu Wai William is the settlor. Mr. Choi Siu Wai William is deemed to be interested in the shares of the Company in which Rainbow Galaxy Limited is interested in under Part XV of the SFO.

Save as disclosed above, as at 30 September 2020, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and SEHK pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2020, so far as the Directors are aware, the following persons had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company and SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO or which as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/ nature of interest	Number of Shares[(1)]	Percentage of shareholding
Moonlight Global Holdings Limited ("Moonlight")	Beneficial owner	300,000,000 (L)	37.5%
Rainbow Galaxy Limited[(2)] ("Rainbow Galaxy")	Beneficial owner	272,000,000 (L)	34.0%
Mr. Siu Chi Wai	Interest of controlled corporation[(3)]	300,000,000 (L)	37.5%
Ms. Wong Mei Wai Alice	Interest of spouse[(4)]	300,000,000 (L)	37.5%
Mr. Choi Siu Wai William	Interest of controlled corporation[(5)]	272,000,000 (L)	34.0%
Ms. Cheung Shui Lin	Interest of spouse[(6)]	272,000,000 (L)	34.0%

Notes:

1. The letter "L" denotes a long position in the Shares.

2. Rainbow Galaxy is directly wholly owned by Angel Sense Limited, a company incorporated in the BVI. Angel Sense Limited is owned as to 50.0% by Mega Capital Assets Limited (a company incorporated in the BVI) and as to 50.0% by Capital Star Assets Limited (a company incorporated in the BVI). Each of Mega Capital Assets Limited and Capital Star Assets Limited is wholly owned by the revocable family trusts of which Mr. Choi Siu Wai William is the settlor.

3. The issued share capital of Moonlight is wholly owned by Mr. Siu Chi Wai. Mr. Siu Chi Wai is deemed to be interested in the Shares in which Moonlight is interested in under Part XV of the SFO.

4. Ms. Wong Mei Wai Alice is the spouse of Mr. Siu Chi Wai and is deemed to be interested in the Shares in which Mr. Siu Chi Wai is interested in under Part XV of the SFO. These shares are owned by Moonlight. Moonlight is wholly owned by Mr. Siu Chi Wai.

5. These shares are held by Rainbow Galaxy. The issued share capital of Rainbow Galaxy is ultimately wholly owned by Choi's Family Trusts of which Mr. Choi Siu Wai William is the settlor. Mr. Choi Siu Wai William is deemed to be interested in the Shares in which Rainbow Galaxy is interested in under Part XV of the SFO.

6. Ms. Cheung Shui Lin is the spouse of Mr. Choi Siu Wai William and is deemed to be interested in the Shares in which Mr. Choi Siu Wai William is interested in under Part XV of the SFO. Rainbow Galaxy is ultimately wholly owned by Choi's Family Trusts of which Mr. Choi Siu Wai William is the settlor.

Save as disclosed above, as at 30 September 2020, the Directors are not aware of any person who had an interest or short position in the Shares or the underlying Shares which were required to be disclosed to the Company and SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO or which as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme upon the passing of the written resolutions of its shareholders on 21 September 2018 (the "Share Option Scheme"). Pursuant to the Share Option Scheme, the 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 SEHK on 19 October 2018, all conditions set forth have been satisfied. No share options had been granted under the Share Option Scheme since its adoption.

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.

IMPORTANT EVENTS AFTER THE REVIEW PERIOD

As at the date of this report, there is no significant event subsequent to 30 September 2020 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*
Choi Siu Wai William
Chairman

Hong Kong, 30 November 2020

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 September	
	Notes	**2020** **HK$'000** **(Unaudited)**	2019 HK$'000 (Unaudited)
Revenue	6	**194,272**	315,157
Cost of sales		**(159,747)**	(263,833)
Gross profit		**34,525**	51,324
Other revenue		**7,244**	3,016
Other gains and losses, net	7	**1,573**	1,910
Selling and distribution costs		**(12,969)**	(17,112)
General and administrative expenses		**(25,424)**	(33,128)
Finance costs	8	**(4,077)**	(4,907)
Profit before income tax expense		**872**	1,103
Income tax (expense)/credit	9	**(300)**	48
Profit for the period	10	**572**	1,151
Other comprehensive expense, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Remeasurement loss on defined benefit plan		**(219)**	(140)
Exchange differences arising on translation of foreign operations		**32**	(290)
Other comprehensive expense for the period		**(187)**	(430)
Total comprehensive income for the period		**385**	721
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**385**	721
		HK cents	*HK cents*
Earnings per share			
– Basic	12	**0.07**	0.14

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2020 HK$'000 (Unaudited)	At 31 March 2020 HK$'000 (Audited)
Non-current assets			
Prepaid insurance premium	13	**8,084**	7,968
Property, plant and equipment	14	**51,957**	53,376
Intangible assets	15	**8,463**	8,463
Convertible promissory note	16	**3,214**	3,214
Right-of-use assets	17	**33,058**	37,538
Goodwill	18	**18,122**	18,148
Deferred tax assets*		**2,483**	2,506
Total non-current assets		**125,381**	131,213
Current assets			
Inventories	19	**37,312**	34,659
Trade and other receivables	20	**197,319**	158,731
Tax recoverable		**1,078**	1,078
Cash and cash equivalents		**67,725**	47,836
Total current assets		**303,434**	242,304
Total assets		**428,815**	373,517
Current liabilities			
Trade, bills and other payables	21	**73,509**	65,609
Amounts due to related parties	26	**2,574**	1,113
Bank borrowings	22	**246,701**	231,439
Lease liabilities	17	**6,877**	8,626
Total current liabilities		**329,661**	306,787
Net current liabilities		**(26,227)**	(64,483)

	Notes	At 30 September 2020 HK$'000 (Unaudited)	At 31 March 2020 HK$'000 (Audited)
Non-current liabilities			
Loans from a director	23	**17,000**	–
Loans from a related party	26	**17,000**	–
Defined benefit obligation	24	**2,621**	2,355
Lease liabilities	17	**4,448**	6,896
Deferred tax liabilities*		**1,008**	787
		42,077	10,038
Net assets		**57,077**	56,692
Capital and reserves attributable to owners of the Company			
Share capital	25	**8,000**	8,000
Share premium	25	**66,541**	66,541
Other reserves		**(17,464)**	(17,849)
Total equity		**57,077**	56,692

* Refer to Note 28, the comparative figures have been reclassified to conform to the current period's presentation.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000	Share premium HK$'000	Contributed reserve HK$'000	Translation reserve HK$'000	Remeasurement reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2020 (audited)	**8,000**	**66,541**	**4,078**	**925**	**118**	**(22,970)**	**56,692**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**572**	**572**
Remeasurement loss on defined benefit plan for the period	**–**	**–**	**–**	**–**	**(219)**	**–**	**(219)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**32**	**–**	**–**	**32**
Total comprehensive income for the period	**–**	**–**	**–**	**32**	**(219)**	**572**	**385**
At 30 September 2020 (unaudited)	**8,000**	**66,541**	**4,078**	**957**	**(101)**	**(22,398)**	**57,077**
At 1 April 2019 (audited)	8,000	66,541	4,078	997	260	35,668	115,544
Profit for the period	–	–	–	–	–	1,151	1,151
Remeasurement loss on defined benefit plan for the period	–	–	–	–	(140)	–	(140)
Exchange differences arising on translation of foreign operations	–	–	–	(290)	–	–	(290)
Total comprehensive income for the period	–	–	–	(290)	(140)	1,151	721
At 30 September 2019 (unaudited)	8,000	66,541	4,078	707	120	36,819	116,265

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(20,495)**	(61,184)
Cash flow from investing activities:		
Interest received	**99**	200
Repayment from related parties	**–**	(136)
Purchases of properties, plant and equipment	**(748)**	(3,871)
Purchases of convertible promissory note	**–**	(6,054)
Purchases of intangible assets	**–**	(10,850)
Proceeds from disposal of properties, plant and equipment	**–**	106
Net cash used in from investing activities	**(649)**	(20,605)
Cash flow from financing activities:		
Proceed from bank borrowings	**161,700**	393,989
Repayment of bank borrowings	**(146,438)**	(302,289)
Loans from a related party	**17,000**	–
Loans from a director	**17,000**	–
Cash advances from related parties	**–**	2,252
Repayment of principal portion of the lease liabilities	**(3,842)**	(4,657)
Interest paid	**(3,678)**	(4,907)
Net cash generated from financing activities	**41,742**	84,388
Net increase in cash and cash equivalents	**20,598**	2,599
Cash and cash equivalents at beginning of the period	**47,836**	75,687
Effect of exchange rate changes on cash and cash equivalents	**(709)**	272
Cash and cash equivalents at end of the period	**67,725**	78,558
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS:		
Bank balances and cash	**67,725**	78,558

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, Second 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.

The preparation of these condensed consolidated interim financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

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 2020 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 2020 annual financial statements.

As of 30 September 2020, the Group's current liabilities exceeded its current assets by HK$26,227,000 (31 March 2020: net current liabilities of HK$64,483,000). As at 30 September 2020, the Group's liabilities included bank borrowings with an outstanding principal amounting to approximately HK$246,701,000 (31 March 2020: HK$231,439,000) which is repayable on demand while the cash and cash equivalents and the net assets that the Group had as of that date were of approximately HK$67,725,000 (31 March 2020: HK$47,836,000) and of approximately HK$57,077,000 (31 March 2020: HK$56,692,000) respectively.

Following the outbreak of the coronavirus disease 2019 ("COVID-19") in January 2020, precautionary and control measures have since been implemented in various countries, which included entry restrictions and quarantine measures over international travel and the Group's operation located in the People's Republic of China was suspended for approximate one week in February 2020 and the Group's operation located in Sri Lanka was suspended from late March to early May 2020.

These events or conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the above events or condition 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, after taking into consideration of the following:

(i) The Group continues to improve the operating efficiency by implementing measures to tighten cost controls over various operating expenses in order to enhance its ability to improve profitability and the cash flow from its operation in future;

(ii) The directors of the Company would consider enlarging the capital base of the Company by conducting fund raising exercises such as share placement when necessary to improve the financial position of the Group; and

(iii) Up to the date of authorisation for issue of these condensed consolidated financial statements, the Group had unutilised banking facilities of approximately HK$196,325,000. The directors of the Company have performed a sensitivity analysis on the loan covenants and are satisfied that the Group would be able to comply with the covenants over the forecast period.

Based on the above, the directors of the Company are satisfied that it is appropriate to prepare the condensed consolidated financial statements on a going concern basis.

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

3. IMPACTS OF COVID-19 PANDEMIC

The World Health Organisation declared the novel coronavirus disease 2019 (the "COVID-19") a global health emergency on 30 January 2020. Since then, the Group has experienced significant effects on its operations.

The significant events and transactions that have occurred since 31 March 2020 relate to the effects of the global pandemic on the Group's condensed consolidated interim financial statements for the six months ended 30 September 2020 and are summarised as follows:

(a) Decrease in sales and cash flows, including impairment assessment of non-financial assets

As disclosed in Note 6, most revenue streams have experienced significant reductions since the pandemic's effects became widespread. The Group considered the reduced sales and reductions in budgeted revenue as indicators of impairment, and therefore determined the recoverable amount for its cash generating unit ("CGU"). The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use was higher in all cases due to the nature of the assets included in the carrying amount of CGU.

Cash generating unit ("CGU") of the Group related to manufacturing and trading of apparel products was tested for impairment. Recoverable amounts exceeded the carrying amounts in the CGU based on cash flow forecast, which was probability weighted based on different scenarios taken into account the length of continuation and magnitude of the COVID-19 pandemic.

(b) Rent concession received from lessors

The Group has received rent concessions from lessors due to the COVID-19 pandemic in the form of rent relief (e.g. reductions in rent contractually due under the terms of lease agreements).

As discussed in Note 4, the Group has elected to early apply the practical expedient introduced by the amendment to Hong Kong Financial Reporting Standard ("HKFRS") 16 to all rent concessions that satisfy the criteria. Substantially all of the rent concessions entered into during the six months ended 30 September 2020 satisfy the criteria to apply the practical expedient.

The application of the practical expedient has resulted in the reduction of total lease liabilities of HK$750,000. The effect of this reduction has been recorded as negative variable lease payments in profit or loss in the period in which the event or condition that triggers those payments occurs.

(c) Government grants

The Group applied for government support programs introduced in response to the COVID-19 pandemic. Included in profit or loss is HK$2,890,000 of government grants obtained relating to supporting the payroll of the Group's employees from the Hong Kong Government. The Group has elected to present this government grant separately, rather than reducing the related expense. The Group had to commit to spending the assistance on payroll expenses, and not to reduce employee head count below prescribed levels for a specified period of time. The Group does not have any unfulfilled obligations relating to this program.

4.1 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis. These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2020 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 April 2020.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2020.

Amendments to HKFRS	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8 Conceptual Framework for Financial Reporting (Revised)	Definition of Material

The new and revised standards, amendments and interpretations that are effective from 1 April 2020 did not have any significant impact on the Group's accounting policies.

The following amendments to HKAS and HKFRS, potentially relevant to the Group's condensed consolidated financial statements, have been issued, but are not yet effective. Except for the amendment to HKFRS 16 COVID-19-Related Rent Concessions, the other amendments have not been early adopted by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[2]

1 The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continues to be permitted.

2 The amendment was issued in June 2020 and is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including interim or annual financial statements not yet authorised for issue as at 4 June 2020.

Amendment to HKFRS 16 – COVID-19-Related Rent Concessions

The Group elected to early adopt the amendment to HKFRS 16 COVID-19-Related Rent Concessions from the interim period beginning on 1 April 2020.

The amendment allows, as a practical expedient, a lessee to elect not to assess whether a rent concession that meets the conditions below is a lease modification.

A lessee that makes this election shall account for any change in lease payments resulting from the rent concession in the same way it would account for the change in applying HKFRS 16 as if the change was not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

(i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

(iii) there is no substantive change to other terms and conditions of the lease.

Accounting for the rent concessions as lease modifications would have resulted in the Group remeasuring the lease liability to reflect the revised consideration using a revised discount rate, with the effect of the change in the lease liability recorded against the right-of-use asset. By applying the practical expedient, the Group is not required to determine a revised discount rate and the effect of the change in the lease liability is reflected in profit or loss in the period in which the event or condition that triggers the rent concession occurs. The effect of applying the practical expedient is disclosed in Note 3(b).

Except as amendment to HKFRS 16 COVID-19-Related Rent Concessions described above, the Group has already commenced an assessment of the impact of adopting the other amendments to HKFRSs and HKASs to the Group. The directors of the Company (the "Directors") anticipate that the application of these amendments to HKFRSs and HKASs will have no material impact on the Group's financial performance and positions and/or the disclosures to these condensed consolidated financial statements of the Group.

4.2 A CHANGE IN ACCOUNTING ESTIMATES

In accordance with the HKAS 16 – Property, Plant and Equipment and HKAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, the Group adjusted the useful lives of property, plant and equipment to ensure the adjusted useful lives to meet the estimates on the period that the future economic benefits. The impact on the change in the useful lives will not result in a restatement. The new useful lives applied from 1 April 2020. The change was approved by the Board on the meeting of the Board on 25 September 2020.

From 1 April 2020, the Company changed the depreciable lives of certain property, plant and equipment, particulars of which are as follow:

Category of fixed assets	Depreciable lives before the changes	Depreciable lives after the changes
Buildings	20–50 years	30–50 years
Office equipment	5 years	10 years
Furniture and fixtures	5 years	10 years
Plant and machinery	5–10 years	10 years

The change has been applied prospectively and has resulted in a decrease in depreciation of approximately HK$2,498,000 for the six months ended 30 September 2020.

5. USE OF JUDGEMENTS AND ESTIMATES

In preparing these condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2020 annual consolidated financial statements.

As disclosed in Note 3, the effects of COVID-19 have required significant judgements and estimates to be made, including:

(a) Whether rent concessions satisfy the criteria to be accounted for using the practical expedient introduced by the amendments to HKFRS 16;

(b) Assessing whether the entity has reasonable assurance as to whether it will comply with the conditions attached to government grants; and

(c) Calculating the recoverable amount for the CGU that exhibits indicators of impairment as at the period end, and determining the amount of impairment on non-financial assets attributable to the CGU.

Additionally, the effects of COVID-19 have required revisions to:

(a) Determining the net realisable value of inventory that has become slow moving due to the effects of COVID-19;

(b) Estimates of customer returns and the determination of the Group's methodology for estimating the transaction price for sales subject to rights of return;

(c) Estimates of expected credit losses attributable to trade receivable arising from sales to customers on credit terms, including the incorporation of forward-looking information to supplement historical credit loss rates; and

(d) Assessment of the Group's ability to continue as a going concern. Although the Group has experienced downturns in several segments by location during the period, the Directors do not consider that there are material uncertainties that cast doubt on the Group's going concern status over the course of the next 18 months. This judgement was made with consideration of the Group's liquidity position, given the underlying strength of the statement of financial position, the maturity dates of existing borrowings, the availability of undrawn finance facilities in place, and based on the assumptions and potential scenarios modelled as described in Note 3, alongside the Directors' proposed responses to each scenario. Under each scenario, mitigating actions are all within management control, can be initiated as they relate to discretionary spending, and do not impact on the ability to meet demand. No significant structural changes to the business are assumed to be required under each scenario. Under each scenario, after taking mitigating actions as needed, the forecasts indicate that it is appropriate for the going concern basis to be adopted in preparing the interim report and financial statements, and that there are no material uncertainties over the assumptions underpinning this judgement that are required to be disclosed.

6. 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 revenues and results

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

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Sales of garments	**194,272**	315,100
Licensing and related income	**–**	57
	194,272	315,157
Major products		
Outerwear	**91,428**	167,340
Bottoms	**59,799**	94,770
Tops	**14,540**	18,412
Others *(Note a)*	**28,505**	34,635
Total	**194,272**	315,157
Primary geographical markets		
The United States of America (the "USA")	**175,298**	278,128
Italy	**13,710**	29,740
United Kingdoms	**1,675**	1,345
Others *(Note b)*	**3,589**	5,944
	194,272	315,157
Timing of revenue recognition		
At a point in time	**194,272**	315,157
Transferred over time	**–**	–
	194,272	315,157

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

Note b: Others mainly includes Japan 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 2020 ***HK$'000*** **(Unaudited)**	At 31 March 2020 *HK$'000* (Audited)
Hong Kong ("Hong Kong")	**38,012**	38,745
The People's Republic of China (the "PRC")	**20,615**	23,285
Sri Lanka	**58,670**	61,215
	117,297	123,245

7. OTHER GAINS AND LOSSES, NET

	Six months ended 30 September	
	2020 ***HK$'000*** **(Unaudited)**	2019 *HK$'000* (Unaudited)
Fair value changes on prepaid insurance premium	**116**	(584)
Expected credit loss reversed/(recognised) on trade and other receivables, net	**1,943**	(538)
Net exchange (loss)/gain	**(486)**	1,831
Fair value changes in convertible promissory note	**–**	1,144
Gain on disposal/written-off of property, plant and equipment	**–**	57
	1,573	1,910

8. FINANCE COSTS

	Six months ended 30 September	
	2020 ***HK$'000*** **(Unaudited)**	2019 *HK$'000* (Unaudited)
Interest on bank borrowings		
– trust receipt loans	**1,480**	2,443
– term and revolving loans	**1,191**	1,891
– bank overdraft	**1**	1
Interest expenses on lease liabilities	**397**	572
Interest expenses on loans from a director	**580**	–
Interest expenses on loans from a related party	**428**	–
	4,077	4,907

9. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong profits tax		
– current taxation	**–**	137
– under provision in prior years	**56**	–
	56	137
Oversea profits tax		
– current taxation	**–**	72
– under provision in prior years	**9**	47
	9	119
Deferred tax:		
– Current period	**235**	(304)
	300	(48)

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 2019: 14%) of the assessable profit of the Sri Lanka subsidiaries of the Group as determined in accordance with the Sri Lanka's Inland Revenue.

10. PROFIT FOR THE PERIOD

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

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	**2,914**	4,801
Depreciation of right-of-use assets	**4,784**	4,712
Fair value changes on prepaid insurance premium	**(116)**	584
Realisation of deferred gain from convertible promissory note*	**(720)**	–
Employee costs (including directors' emoluments)	**52,845**	68,588
Credit relating to negative variable lease payments not included in the measurement of lease liabilities*	**(750)**	–
Government grants*	**(2,890)**	–
Interest income*	**(99)**	(200)

* Included in other revenue

11. DIVIDENDS

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interim dividends	**–**	–

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2020 (Six months ended 30 September 2019: Nil).

12. 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 2020 and 2019.

	Six months ended 30 September	
	2020	2019
	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	**572**	1,151

	Six months ended 30 September	
	2020	2019
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purposes of calculations of basic earnings per share	**800,000**	800,000

No diluted earnings per share for the six months ended 30 September 2020 and 2019 was presented as the Company did not have any dilutive potential ordinary shares in issue for the six months ended 30 September 2020 and 2019.

13. 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 rate of 4% per annum for the first year and a variable return per annum afterwards (with minimum guaranteed interest 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 a deposit placed element and a prepayment for life insurance element. These two elements are recognised on the condensed 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 period, the deposit and prepayment for the Policy are pledged to secure general banking facilities granted to the Group.

The deposit and prepayment for the Policy is denominated in US$, a currency other than the functional currency.

The deposits placed for life insurance policies were reclassified to financial assets at fair value through profit or loss since 1 April 2018. The fair value gain of HK$116,000 (Six months ended 30 September 2019: fair value loss of HK$584,000) has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 September 2020.

14. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

The Group incurred expenditure of HK$748,000 during the six months ended 30 September 2020 (Six months ended 30 September 2019: HK$3,871,000) on property, plant and equipment to expand and upgrade the Group's manufacturing facilities.

15. INTANGIBLES ASSETS

	At 30 September 2020 HK$'000 (Unaudited)	At 31 March 2020 HK$'000 (Audited)
Trademark		
At the beginning of the period/year	**8,463**	10,850
Less: Impairment loss recognised during the period/year	**–**	(2,387)
At the end of the period/year	**8,463**	8,463

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. The J Peterman trademark services the J Peterman worldwide operations and will not be amortised.

Impairment tests for trademark with indefinite useful life

As at 30 September 2020, the recoverable amount of the trademark with indefinite useful life is determined based on discounted cash flow method prepared by the management (31 March 2020: the recoverable amount of the trademark with indefinite useful life is determined based on discounted cash flow method by reference to the valuation report issued by an independent valuer, Grant Sherman Appraisal Limited). 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 15.6% per annum (31 March 2020: 15.6% 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 2020 and 30 September 2019, 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.

The valuation technique is discounted cash flow method. The major unobservable input is as follows:

	At 30 September 2020	At 31 March 2020
Risk-adjusted discount rate	**15.6%**	15.6%

The risk-adjusted discount rate used is the risk-adjusted weighted average cost of capital of the licensing industry.

16. CONVERTIBLE PROMISSORY NOTE

	At 30 September 2020 ***HK$'000*** **(Unaudited)**	At 31 March 2020 *HK$'000* (Audited)
At the beginning of the period/year	**3,214**	–
Additions	**–**	5,019
Changes in fair value	**–**	(1,805)
At the end of the period /year	**3,214**	3,214

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 contain 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.

As at 30 September 2020, the relevant fair value is determined by the management with reference to valuation carried out by an independent valuer, Graval Consulting Limited, using market approach (31 March 2020: the relevant fair value is determined with reference to valuation carried out by an independent valuer, Graval Consulting Limited, using market approach). The major unobservable inputs are as follows:

	At 30 September 2020 (Unaudited)	At 31 March 2020 (Audited)
Discount for lack of marketability ("DLOM")	**43.10%**	43.20%
Control premium	**23.60%**	25.60%

DLOM reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest a business enterprise that reflects the power of a control. Thus, we consider that the fair value measurement of level 3 fair value measurement under HKFRS13.B36(b).

17. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

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

	As at 30 September 2020 ***HK$'000*** **(Unaudited)**	As at 31 March 2020 *HK$'000* (Audited)
Leasehold land leased for own use, carried at depreciated cost	**22,539**	22,829
Properties leased for own use, carried at depreciated cost	**10,519**	14,709
	33,058	37,538

During the six months ended 30 September 2020, no additions to right-of-use assets (Six months ended 30 September 2019: additions to right-of-use assets were HK$93,000. This amount related to the capitalised lease payments payables under new tenancy agreements).

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

	As at 30 September 2020 ***HK$'000*** **(Unaudited)**	As at 31 March 2020 *HK$'000* (Audited)
Maturity analysis		
Less than one year	**6,877**	8,626
Over one year and more	**4,448**	6,896
Total lease liabilities	**11,352**	15,522
Analysed as:		
Current portion	**6,877**	8,626
Non-current portion	**4,448**	6,896
	11,352	15,522

18. GOODWILL

	At 30 September 2020 HK$'000 (Unaudited)	At 31 March 2020 HK$'000 (Audited)
At the beginning of the period/year	**18,148**	17,803
Exchange differences	**(26)**	345
Goodwill	**18,122**	18,148

For the purpose of impairment testing, goodwill is allocated to the cash generating units ("CGU") identified as follows:

	At 30 September 2020 HK$'000 (Unaudited)	At 31 March 2020 HK$'000 (Audited)
Manufacturing and trading of apparel products	**18,122**	18,148

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, each of the scenarios which are probability weighted. The multiple scenario financial budgets assumption and probability weighting in its discounted cash flow projection to reflect the level of uncertainty from the impact of CONVID-19 as follows:

Scenario	Assumption	Probability weighting
Bad	Business remains pessimistic and the retail shops are closed for long time, a significant reduction in revenue in 2020/2021 is expected	20%
Normal	Business remains pessimistic but the retail shops are closed for a while, a moderate reduction in revenue in 2020/2021 is expected	70%
Good	Business remains pessimistic but the retail shops are closed short term, a slight reduction in revenue in 2020/2021 is expected	10%

The unprecedented economic impact of COVID-19 has reduced near-term industry forecasts for demand in the end markets. As a result, sales are expected to decline in 2020/21.

Cash flows beyond the 5-year period are extrapolated using the estimated growth rates as stated below. The growth rate does not exceed the long-term average growth rate for the manufacturing finished apparel products business in which the CGU operates. The discount rates used for value-in-use calculations are pre-tax and reflect specific risks relating to the relevant CGU.

	At 30 September 2020 (Unaudited)	At 31 March 2020 (Audited)
Budgeted gross margin	**16%**	17%
Average revenue growth rate	**4%**	7%
Growth rate	**3%**	3%
Pre-tax discount rate	**15.5%**	15.5%

19. INVENTORIES

	At 30 September 2020 *HK$'000* (Unaudited)	At 31 March 2020 *HK$'000* (Audited)
Raw materials	**31,834**	30,506
Work-in-progress	**804**	1,674
Finished goods	**4,674**	2,479
	37,312	34,659

20. TRADE AND OTHER RECEIVABLES

	At 30 September 2020 *HK$'000* (Unaudited)	At 31 March 2020 *HK$'000* (Audited)
Trade receivables	**225,111**	190,085
Less: Loss allowances	**(50,757)**	(52,762)
	174,354	137,323
Prepayment	**3,345**	3,534
Other receivables *(Note)*	**18,812**	17,285
Less: Loss allowances on other receivables	**(1,160)**	(1,098)
Utilities and sundry deposits	**1,968**	1,687
	197,319	158,731

Note: Included in other receivables, an amount of HK$16,921,000 (equivalent to US$2,175,000) (31 March 2020: HK$16,921,000) 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 2020 and 31 March 2020. The balance is unsecured, interest-free and repayable on demand.

The Group allows a credit period ranging from 30 days to 60 days to its trade customers. The ageing 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 2020	At 31 March 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–30 days	**19,712**	38,026
31–90 days	**41,692**	57,511
91–365 days	**101,162**	35,765
Over 365 days	**11,788**	6,021
	174,354	137,323

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

	At 30 September 2020	At 31 March 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
At the beginning of the period/year	**52,762**	793
Expected credit loss (reversed)/recognised on trade receivables during the period/year	**(2,005)**	51,969
At the end of the period/year	**50,757**	52,762

21. TRADE, BILLS AND OTHER PAYABLES

	At 30 September 2020	At 31 March 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**18,253**	21,644
Bills payables	**37,695**	30,544
Other payables and accruals	**17,561**	13,421
	73,509	65,609

The following is an ageing analysis of trade payables based on invoice dates are as follows:

	At 30 September 2020	At 31 March 2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0–30 days	**8,932**	16,843
31–90 days	**8,561**	3,554
91–365 days	**758**	1,244
Over 365 days	**2**	3
	18,253	21,644

All the bills payables of the Group were not yet due at the end of the reporting periods.

22. BANK BORROWINGS

During the six months ended 30 September 2020, the Group obtained new bank borrowings of HK$161,702,000 (Six months ended 30 September 2019: HK$393,989,000) and made repayments of HK$146,440,000 (Six months ended 30 September 2019: HK$302,289,000). These bank borrowings obtained and repaid are mainly denominated in Hong Kong dollar ("HKD") and US dollar ("USD"). All of the bank borrowings are repayable on demand (with demand clause) or within one year. The bank borrowings raised were mainly used to repay the existing bank borrowings or as working capital of the Group.

The bank borrowings of the Group are mainly variable rate borrowings. The range of effective interest rates of bank borrowings of the Group is 0.7%–4.75% (31 March 2020: 1.1%–5%) per annum and are repayable by installments over a period from one to three years. The bank borrowings 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 two controlling shareholders of the Group, and share common directors of the Group, and (c) the personal guarantee of two directors, a shareholder and a related party (who is a shareholder of a related company which shares a common director and shareholder of the Group).

23. LOANS FROM A DIRECTOR

At 22 May 2020 and 27 May 2020, loans of HK$13,000,000 and HK$4,000,000 were advanced from a director, Ms. Wong Mei Wai Alice. The balances are unsecured, interest-bearing at rate of 10% per annum and will not be demanded payment by Ms. Wong Mei Wai Alice within the first 3 years from the dates of drawdown. From 27 August 2020, the interest rate changed from 10% to 7% per annum thereafter.

24. DEFINED BENEFIT OBLIGATION

Two subsidiaries of the Group located in Sri Lanka, Chiefway Katunayake (Private) Limited and Chiefway (Private) Limited are liable to pay retirement benefits under the Payment of the gratuity Act No. 12 of 1983 to an employee, who has a period of service of not less than five completed years, on termination (whether by the employer or workman, or on retirement or by the death of the workman, or by operation of law, or otherwise) of the services. Upon each year of completed service, the employee will be entitled to half a month's wage and salary.

The liability recognised in condensed consolidated financial statements in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flow using the interest rates that apply to the currency in which the benefit will be paid and that have terms to maturity approximating to the terms of the related liability.

The liability is expected to be settled after more than one year. However, it is not practicable to segregate this amount from the amounts payable in the next twelve months, as future contributions will also relate to future services rendered and future changes in actuarial assumptions and market conditions.

For the six months ended 30 September 2020, the Group recognised the service cost and interest cost of HK$357,000 (Six months ended 30 September 2019: HK$114,000) and benefit paid HK$136,000 (Six months ended 30 September 2019: HK$172,000) in relation to defined benefit obligation granted by two subsidiaries of the Group located in Sri Lanka.

25. SHARE CAPITAL

	Number of shares	**Nominal value of ordinary shares**	**Share premium**
		HK$	*HK$*
Authorised			
At 1 April (audited) and 30 September 2020 (unaudited)	10,000,000,000	100,000,000	–
Issued and fully paid			
At 1 April (audited) and 30 September 2020 (unaudited)	800,000,000	8,000,000	66,540,898

26. RELATED PARTY DISCLOSURES

Related party transactions

The Group entered into the following transactions with its related parties during the six months ended 30 September 2020 and 2019:

Name of entities/person	Relationship with the Group	Nature of transactions	Six months ended 30 September	
			2020	2019
			HK$'000	*HK$'000*
			(Unaudited)	(Unaudited)
C.F.L Enterprise Limited	Mr. William Choi (Director and beneficial owner of the shareholder of the Group) is the director and shareholder of the related company	Sales of finished apparel products	**–**	136
Fairyard Garment Manufacturing Company Limited	Mr. William Choi (Director and beneficial owner of the shareholder of the Group) is the shareholder of the related company	Loan interest expense	**428**	–
Ms. Wong Mei Wai Alice	Director of the Group	Loan interest expense	**580**	–
Kam Li Fashion Factory	Common shareholder, Mr. CW Siu	Motor vehicle rental expense	**43**	108
Full Submit Development Limited	Common shareholder, Mr. CW Siu	Motor vehicle rental expense	**50**	150
Win 18 Limited ("Win 18")	Common shareholder, Mr. CW Siu and common director, Mr. William Choi	Rental expenses *(Note i)*	**750**	750
Win 19 Limited ("Win 19")	Common shareholder, Mr. CW Siu and common director, Mr. William Choi	Rental expenses *(Note i)*	**750**	750
Win 20 Limited ("Win 20")	Common shareholder, Mr. CW Siu and common director, Mr. William Choi	Rental expenses *(Note i)*	**–**	750

Note i: Rental fees paid 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.

Compensation of directors and key management personnel

	Six months ended 30 September	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and other allowances	**4,612**	6,048
Retirement benefit scheme contributions	**57**	98
Total	**4,669**	6,146

Related party balances

Details of the Group's outstanding balances with related parties are set out as follows respectively:

	At	At
	30 September	31 March
	2020	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Loans from a related party *(note a)*	**17,000**	–
Amounts due to related parties *(note b)*	**2,574**	1,113

Note a: At 23 June 2020 and 30 June 2020, loan of HK$10,000,000 and HK$7,000,000 were advanced from a related party with common shareholder. The balances are unsecured, interest-bearing at rate of 10% per annum and will not be demanded payment by the related party within the first 3 years from the date of drawdown. From 18 September 2020, the interest rate changed from 10% to 7% per annum thereafter.

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

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

	At 30 September 2020 HK$'000 (Unaudited)	At 31 March 2020 HK$'000 (Audited)
Financial assets		
Financial assets at fair value through profit or loss		
– Prepaid insurance premium	**8,084**	7,968
– Convertible promissory note	**3,214**	3,214
Financial assets at amortised cost		
– Trade and other receivables	**193,973**	155,197
– Cash and cash equivalents	**67,725**	47,836
	272,996	214,215
Financial liabilities		
At amortised cost		
– Trade, bills and other payables	**73,509**	65,609
– Amounts due to related parties	**2,574**	1,113
– Bank borrowings	**246,701**	231,439
– Lease liabilities	**11,325**	15,522
– Loans from a director	**17,000**	–
– Loans from a related party	**17,000**	–
	368,109	313,683

(b) Fair value

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair value.

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*	**Total** *HK$'000*
As at 30 September 2020				
Prepaid insurance premium	–	8,084	–	8,084
Convertible promissory note	–	–	3,214	3,214
As at 31 March 2020				
Prepaid insurance premium	–	7,968	–	7,968
Convertible promissory note	–	–	3,214	3,214

There was no transfer between levels during the period.

28. COMPARATIVE FIGURES

The Group has revisited the classification of deferred tax assets during the current interim period and the comparative figures related to part of deferred tax assets have been reclassified to deferred tax liabilities to conform with the current period's presentation.