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SG Group Holdings Limited

樺欣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8442)

ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 JULY 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of SG Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

The board of the Directors (the “Board”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 July 2017 together with the comparative unaudited figures for the corresponding period in 2016 are set out as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS

For the three months ended 31 July 2017

	<i>NOTES</i>	For the three months ended 31 July	
		2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Revenue	4	47,235	39,638
Cost of sales		(35,809)	(30,929)
Gross profit		11,426	8,709
Other income		733	840
Other gains and losses, net		81	(2,001)
Administrative expenses		(2,134)	(1,221)
Selling and distribution expenses		(1,756)	(1,614)
Finance costs		(117)	(46)
Listing expenses		–	(5,841)
Profit/(loss) before taxation		8,233	(1,174)
Income tax expenses	5	(1,501)	(799)
Profit/(loss) and total comprehensive income/(loss) for the period attributable to owners of the Company		<u>6,732</u>	<u>(1,973)</u>
Earnings/(loss) per share - basic (Hong Kong dollars)	7	<u>0.21</u>	<u>(0.08)</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 July 2017

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2016 (audited)	- ⁺	-	24,661	24,661
Loss and total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>(1,973)</u>	<u>(1,973)</u>
At 31 July 2016 (unaudited)	<u>-⁺</u>	<u>-</u>	<u>22,688</u>	<u>22,688</u>
At 1 May 2017 (audited)	320	39,201	30,869	70,390
Profit and total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>6,732</u>	<u>6,732</u>
At 31 July 2017 (unaudited)	<u>320</u>	<u>39,201</u>	<u>37,601</u>	<u>77,122</u>

⁺ Less than HK\$1,000

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

SG Group Holdings Limited (the “Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 October 2015. The shares of the Company (the “Shares”) have been listed on the GEM of the Stock Exchange since 21 March 2017.

The address of the registered office and the principal place of business of the Company is 4th Floor, Harbour Place, 103 South Church Street, P.O.Box 10240, Grand Cayman, KY1-1002, Cayman Islands and Unit 2, 3rd Floor, Fook Hong Industrial Building, 19 Sheung Yuet Road, Kowloon Bay, Hong Kong respectively. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the supply of apparel products with design and sourcing services to fashion retailers and provision of consultation services.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is different from the functional currency of the Company, being United States dollar (“US\$”). The directors of the Company consider that presenting the financial information in HK\$ is preferable as the principal place of business of the Company and its subsidiaries is in Hong Kong.

2. REORGANISATION AND BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

Historically, all the entities comprising the Group were controlled directly or indirectly by Mr. Choi King Ting Charles (“Mr. Charles Choi”), who is the controlling shareholder of the Company. In preparation for the listing of the Company’s shares on the Stock Exchange, the entities now comprising the Group underwent a group reorganisation (the “Reorganisation”) to enable the Company to become the holding company of the Group which involved the following major steps:

- (a) On 5 October 2015, JC Fashion International Group Limited (“JC International”), the Company’s immediate holding company, not forming part of the Group was incorporated in the British Virgin Islands (“BVI”) as a BVI business company with limited liability authorised to issue a maximum of 50,000 shares of a single class with no par value. On the same day, one ordinary share with no par value, representing 100% of its then issued share capital, was allotted and issued to Mr. Charles Choi.
- (b) On 8 October 2015, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with par value of HK\$0.01 each. On the same date, one ordinary share with par value of HK\$0.01 was allotted and issued to the initial subscriber of the Company, which was transferred to JC International on 14 October 2015.

- (c) On 15 January 2016, the Company acquired 10 ordinary shares with par value of US\$1.00 each of JC Fashion Group Limited (“JC BVI”), representing its then entire issued share capital, from Mr. Charles Choi, being its ultimate beneficial shareholder, for the consideration of 99 shares in the Company to JC International. JC BVI, being the holding company of the Group’s operating subsidiaries, became a wholly-owned subsidiary of the Company.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 15 January 2016. Its immediate and ultimate holding company is JC International, a company incorporated in BVI of which Mr. Charles Choi is the ultimate controlling party. Since the Company and its subsidiaries have been under the common control of Mr. Charles Choi before and after the Reorganisation and since their respective date of incorporation, where there is a shorter period, the Group resulting from the Reorganisation is regarded as a continuing entity. For the purposes of the presentation of the financial information, the acquisition stated above is accounted for as a reorganisation of entities under common control by applying the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting” for Common Control Combinations. Accordingly, the financial information has been prepared on the basis as if the Company had always been the holding company of the Group.

3. BASIS OF PREPARATION

This unaudited condensed consolidated financial statements for the three months ended 31 July 2017 (the “Financial Statements”) have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Companies Ordinance (Cap.622 of the Laws of Hong Kong). Besides, the Financial Statements include applicable disclosures required by the GEM Listing Rules. The Financial Statements have been prepared under the historical cost convention and are presented in HK\$ and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the Financial Statements requires the Company’s management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income and expenses. Actual results may differ from these estimates.

In preparing the Financial Statements, the significant judgments made by the Company’s management in applying the Group’s accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Group’s audited consolidated financial statements for the year ended 30 April 2017.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on supply of apparel products for the three months ended 31 July 2017.

The Group determines its operating segments based on the reports reviewed by the executive directors, being the chief operating decision maker (the “CODM”), which are used to make strategic decisions for the purposes of resource allocation and assessment of segment performance. The Group mainly sells apparel products with designing and sourcing services to fast fashion clothing retailers and, provides consultation services. The Group’s operating segments are classified by the nature of the sales channel including (i) online fashion retailers; (ii) fashion retailers; and (iii) consultation services, based on the nature of the operations carried out by the Group. The details of the Group’s each reportable segment are as follows:

- | | |
|------------------------------|---|
| (i) Online Fashion Retailers | Supply of apparel products with designing and sourcing services to certain online fashion retailers, representing four customers namely ASOS.com Limited (“ASOS”), Lost Ink Ltd, zLabels GmbH (“Zalando”) and International Brands Company (for the three months ended 31 July 2016: two customers namely ASOS and Lost Ink Ltd). |
| (ii) Fashion Retailers | Supply of apparel products with designing and sourcing services to fashion retailers other than “Online Fashion Retailers” as defined above. |
| (iii) Consultation services | Income from provision of consultation services to the Manufacturers which mainly include (a) assisting them to comply with corporate social responsibility standards requirements; (b) providing fashion trends forecast analysis; (c) design specification and; (d) introducing potential customers. |

These operating segments also represent the Group’s reportable segments. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

For the three months ended 31 July 2017

	Online fashion retailers HK\$'000	Fashion retailers HK\$'000	Consolidated HK\$'000 (unaudited)
Segment revenue	<u>18,671</u>	<u>28,564</u>	<u>47,235</u>
Segment profit	<u>4,789</u>	<u>6,637</u>	11,426
Unallocated income			733
Unallocated gains			81
Unallocated expenses			(3,890)
Unallocated finance costs			<u>(117)</u>
Profit before taxation			<u>8,233</u>

For the three months ended 31 July 2016

	Online fashion retailers HK\$'000	Fashion retailers HK\$'000	Consolidated HK\$'000 (unaudited)
Segment revenue	<u>14,103</u>	<u>25,535</u>	<u>39,638</u>
Segment profit	<u>3,186</u>	<u>5,523</u>	8,709
Unallocated income			840
Unallocated losses			(2,001)
Unallocated expenses			(2,835)
Unallocated finance costs			(46)
Listing expenses			<u>(5,841)</u>
Loss before taxation			<u>(1,174)</u>

The Group did not generate any revenue from consultation services for the three months ended 31 July 2017 and 2016.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of unallocated expenses and income mainly including certain depreciation on property, plant and equipment, general office expenses, selling and distribution expenses, listing expenses, finance costs, foreign exchange gains and losses and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

There were no inter-segment sales during the current and prior periods.

Revenue by type of products

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Womenswear:		
Online Fashion Retailers	18,368	14,103
Fashion Retailers	19,024	16,741
	<u>37,392</u>	<u>30,844</u>
Childrenswear:		
Online Fashion Retailers	303	–
Fashion Retailers	9,540	8,794
	<u>9,843</u>	<u>8,794</u>
	<u>47,235</u>	<u>39,638</u>

Segment assets and liabilities

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group.

Geographical information

Information about the Group's revenue from external customers is presented based on the geographic locations of the customers, irrespective of the origin of the goods and the location of provision of services, are detailed below:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue from external customers		
United Kingdom (the "UK")	40,887	36,801
Others		
– Ireland	860	476
– Hong Kong	–	45
– Germany	4,490	1,458
– United States of America	162	858
– Singapore	508	–
– People's Republic of China (the "PRC")	51	–
– Saudi Arabia	92	–
– Kuwait	47	–
– United Arab Emirates	138	–
	<u>6,348</u>	<u>2,837</u>
	<u>47,235</u>	<u>39,638</u>

All non-current assets (exclude deferred tax assets) are located in Hong Kong.

5. INCOME TAX EXPENSES

	Three months ended 31 July	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprises:		
Current tax	1,501	808
Deferred tax credit	—	(9)
	<u>1,501</u>	<u>799</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit for both periods.

6. DIVIDEND

No dividend was paid, proposed or declared for the ordinary shareholders of the Company for the three months ended 31 July 2017 (for the three months ended 31 July 2016: Nil).

7. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on the following data:

	Three months ended 31 July	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings/(loss):		
Earnings/(loss) for the purpose of calculating basic earnings/(loss) per share (profit/(loss) for the period)	<u>6,732</u>	<u>(1,973)</u>
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	<u>32,000</u>	<u>24,000</u>

No diluted earnings/(loss) per share for both periods was presented as there were no potential ordinary shares in issue for both periods.

The weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share has been determined on the assumption that the Reorganisation and the capitalisation issue had been effective since 1 May 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an apparel designing and sourcing service provider for branded fashion retailers. The revenue for the three months ended 31 July 2017 was derived from the supply of approval products to online fashion retailers and fashion retailers.

Supply of apparel products to online fashion retailers and fashion retailers

For the three months ended 31 July 2017, the Group recorded increases in revenue of approximately 19.2% and gross profit of approximately 31.2% as compared with those for the corresponding period in 2016. Such increases were mainly due to the increase in sales orders from new customers and quantity of sales orders from existing customers. To cope with the challenging global business environment, while the Group continuously provides customised comprehensive services through efficient comprehensive apparel designing and sourcing services from design to delivery processes to the customers within a short lead time, it also enhances business exposure and performance by expanding showrooms to secure existing customers and maintain a growth in revenue.

Consultation services

The Group continued to engage its business in the provision of consultation services. This segment mainly includes providing consultation services to apparel and footwear manufacturers which include assisting them to comply with the corporate social responsibility standards requirements, providing fashion trend forecast analysis as well as design specification and introducing potential customers to them. For the three months ended 31 July 2017 and 2016, the Group did not generate any revenue from this segment.

On 21 March 2017, the Shares were successfully listed on GEM by way of public offer and placing (the “Share Offer”). After deducting all the relevant commission and expenses borne by the Company, there are approximately HK\$44.4 million of actual net proceeds from the Share Offer. The Group will utilise such net proceeds in accordance with the business strategies as set out in the Company’s prospectus (the “Prospectus”) dated 28 February 2017.

FINANCIAL REVIEW

Revenue

The Group's revenue increased to approximately HK\$47.2 million for the three months ended 31 July 2017 from approximately HK\$39.6 million for the corresponding period in 2016, representing an increase of approximately 19.2%. Such increase in the Group's revenue was mainly attributable to the increase in sales orders from new customers and quantity of sales orders from existing customers.

Cost of sales

The Group's cost of sales primarily consists of cost of goods sold and other direct costs. The cost of sales increased to approximately HK\$35.8 million for the three months ended 31 July 2017 from approximately HK\$30.9 million for the three months ended 31 July 2016, representing an increase of approximately 15.8%. The Group's cost of sales increased along with the growth in revenue for the three months ended 31 July 2017.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$11.4 million for the three months ended 31 July 2017 from approximately HK\$8.7 million for the three months ended 31 July 2016, representing an increase of approximately 31.2%. The Group's gross profit margin was approximately 24.2% for the three months ended 31 July 2017 and approximately 22.0% for the three months ended 31 July 2016. The increase in gross profit margin was mainly attributable to better cost control of suppliers for the three months ended 31 July 2017.

Other gains and losses, net

The Group recorded other gains of approximately HK\$0.1 million for the three months ended 31 July 2017, as compared to other losses of approximately HK\$2.0 million for the three months ended 31 July 2016. Such gains were mainly due to change in invoicing currency of sales from GBP to US\$ which minimised foreign exchange rate risk from fluctuation of GBP.

Selling and distribution expenses

The Group's selling and distribution expenses increased to approximately HK\$1.8 million for the three months ended 31 July 2017 from approximately HK\$1.6 million for the three months ended 31 July 2016, representing an increase of approximately 8.8%. The increase in the Group's selling and distribution expenses was in line with the increase of revenue for the three months ended 31 July 2017.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, operating lease rentals mainly for office, entertainment and travelling expenses, depreciation of property, plant and equipment, legal and professional fees and other miscellaneous general and administrative expenses. Administrative expenses increased to approximately HK\$2.1 million for the three months ended 31 July 2017 from approximately HK\$1.2 million for the three months ended 31 July 2016, representing an increase of approximately 74.8%. Such increase was mainly due to the increase in staff costs and professional fees for compliance purpose after listing.

Profit/(loss) and total comprehensive income/(loss) attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased to approximately HK\$6.7 million for the three months ended 31 July 2017 from a loss and total comprehensive loss for the three months ended 31 July 2016 of approximately HK\$2.0 million. Such increase was mainly attributable to no recognition of non-recurring listing expenses and the decrease in the foreign exchange losses in the current period compared to those in the corresponding period of last year,

Basic earnings/(loss) per share

The Company's basic earnings per share for the three months ended 31 July 2017 increased to approximately HK\$0.21 from loss per share of approximately HK\$0.08 for the three months ended 31 July 2016, representing an increase of approximately HK\$0.29. Such increase is in line with the increase in the profit and total comprehensive income attributable to owners of the Company during the three months ended 31 July 2017.

LIQUIDITY AND FINANCIAL RESOURCES

During the three months ended 31 July 2017, the Group mainly financed its operations with its own working capital. As at 31 July 2017 and 2016, the Group had net current assets of approximately HK\$74.2 million and HK\$22.4 million respectively, including cash and bank balances of approximately HK\$58.9 million and HK\$18.4 million respectively. The Group's current ratio (current assets divided by current liabilities) increased from approximately 1.7 as at 31 July 2016 to approximately 5.8 as at 31 July 2017. Such increase was mainly because of the faster payment to suppliers and the repayment of related parties' outstanding balances during the three months ended 31 July 2017 and the large amount of cash proceeds raised from the Share Offer.

Gearing ratio is calculated by dividing total debts by total equity as at the end of the reporting period. No gearing ratio was calculated as at 31 July 2016, while the Group's gearing ratio was approximately 0.01 as at 31 July 2017.

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's management performs an ongoing credit evaluation of the financial conditions of the customers in order to reduce the Group's exposure of credit risk. In addition to these ongoing credit evaluations, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

COMMITMENTS

The Group's contractual commitments are primarily related to the leases of its office premises in Hong Kong, the PRC and the UK. The Group's operating lease commitments amounted to approximately HK\$0.5 million and HK\$0.9 million as at 31 July 2017 and 2016 respectively. As at 31 July 2017 and 31 July 2016, the Group did not have any significant capital commitments.

CAPITAL STRUCTURE

The Shares were successfully listed on GEM on 21 March 2017 (the “Listing Date”). There has been no changes in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 31 July 2017, the Company’s issued share capital was HK\$320,000 divided into 32,000,000 Shares of HK\$0.01 each.

SIGNIFICANT INVESTMENTS

As at 31 July 2017 and 2016, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 15 January 2016, the Group completed the Reorganisation steps, details of which are set out in the Prospectus. Subsequent to the completion of the reorganisation steps and up to 31 July 2017, the Group did not have any acquisitions or disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as those disclosed in the Prospectus, the Group currently has no other plan for material investments and capital assets.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 July 2017 and 2016.

FOREIGN EXCHANGE EXPOSURE

As at 31 July 2017 and 2016, the Group exposed to foreign currency risk primarily related to HK\$ and GBP. As HK\$ is pegged to the functional currency of the Group, US\$, the Group does not expect significant exchange rate risk from HK\$. The management of the Group strives to change invoicing currency of sales from GBP to US\$ to minimise foreign exchange rate risk from fluctuation of GBP. The Group does not undertake any foreign currency hedge currently.

PLEDGE OF ASSETS

As at 31 July 2017, the Group's obligation under a finance lease was secured by the lessor's title to the leased asset, which had a carrying amount of HK\$0.7 million (31 July 2016: Nil).

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were 16 and 17 as at 31 July 2017 and 2016 respectively. The Group's employee benefit expenses mainly included salaries, wages, other staff benefits and contributions to retirement schemes. For the three months ended 31 July 2017 and 2016, the Group's total employee benefit expenses (including the Directors' emoluments) amounted to approximately HK\$1.5 million and HK\$1.0 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance.

FUTURE PROSPECTS

The Shares were successfully listed on GEM on the Listing Date. The Board considers that such public listing status on the Stock Exchange allows the Company to access the capital market for corporate finance exercise which assists the Company in the future business development, enhances the Group's corporate profile and recognition and strengthens the Group's competitiveness.

The Group always strives to maintain the growth in the apparel designing and sourcing service industry and enhance the competitiveness and market share. With the increasing trend of global apparel retailing and online apparel retailing, the Group can use its extensive experience and knowledge in building the market position in this industry globally by setting up and expanding physical showrooms. In recent years, the Group was benefited by the showroom in the UK, therefore it intends to acquire a premise for its flagship showroom in Hong Kong. By setting up a large and better renovated showroom in Hong Kong, the Group will be able to display a full range of the apparel products and components, which can create more business opportunities and strengthen the corporate image by giving more confidence to the customers. Since the UK and Europe are important markets, the Group will extend the showroom in the UK to respond quickly to customers' demand and display more in-house designed collections. Apart from that, the Group plans to launch an online showroom displaying the in-house designed collections and the latest trends of fashion and lifestyle by publishing pictures and videos of apparel products, features, news, articles and editorials.

The Group intends to recruit additional experienced in-house designers and more external consultants to strengthen the design and development capabilities as well as the consultation services in order to offer different design style of apparel products and create more in-house designed collections in the future. In addition, the Group has established a subsidiary as an office for sourcing and quality assurance services in the PRC to source new suppliers for the manufacturing of apparel products. The quality assurance team will be stationed at the sourcing office to assist by continuing to explore the possibility of engaging more approved suppliers in different areas that provide products of similar quality at lower cost. Besides, the Group plans to utilise the market presence and quality apparel design and sourcing services to attract new customers in different market across the world by participating in major fashion trade shows and fairs globally so as to create a higher profile and corporate image.

Overall, the Group expects the global business environment to remain obscure in the coming year. Despite these uncertainties, the Directors remain confident that the Group has the ability to keep track with the fast growing trend of the global online apparel markets, maintain the relationship with customers and become a leading apparel designing and sourcing service provider in Hong Kong whilst maximising return for the shareholders of the Company (the “Shareholders”).

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

As at 31 July 2017, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance (the "SFO") (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of Director	Nature of interest	Number of Shares held	Percentage of shareholding in the Company's issued share capital
Mr. Charles Choi (<i>Note 1</i>)	Interest in controlled corporation	24,000,000	75.00%

Note:

1. Mr. Charles Choi directly owns 100% of JC International, which in turn holds 75% of the issued share capital of the Company. Mr. Charles Choi is deemed, or taken to be interested in, all the Shares held by JC International for the purpose of the SFO.

Save as disclosed above, as at 31 July 2017, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

So far as the Directors are aware, as at 31 July 2017, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Nature of interest	Number of Shares held	Percentage of shareholding in the Company's issued share capital
JC International (<i>Note 1</i>)	Beneficial owner	24,000,000	75.00%

Note:

- (1) Mr. Charles Choi directly owns 100% of JC International, which in turn holds 75% of the issued share capital of the Company. Mr. Charles Choi is deemed, or taken to be interested in, all the Shares held by JC International for the purpose of the SFO.

Save as disclosed above, as at 31 July 2017, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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

Save for the listing of the Shares on GEM on the Listing Date, the Company did not redeem any of its Shares listed and traded on GEM nor did the Company or any of its subsidiaries purchase or sell any such Shares during the three months ended 31 July 2017.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Director's securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made a specific enquiry by the Company, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions throughout the three months ended 31 July 2017.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the three months ended 31 July 2017 or at any time during the three months ended 31 July 2017, nor was there any transaction, arrangements or contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries for the three months ended 31 July 2017. There was also no contract of significance between the Company or one of the subsidiaries and the controlling shareholders or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the three months ended 31 July 2017 and up to the date of this announcement, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) was considered to have any interests in a business which competed or was likely to complete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance code is based on the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. The Company is committed to ensure a quality board and transparency and accountability to shareholders. The CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Charles Choi is the chairman and chief executive officer of the Company, which constitutes a deviation from the code provision A.2.1.

Since Mr. Charles Choi has been operating and managing JC Fashion Group Limited, the main operating subsidiary of the Company since its incorporation, the Board believes that it is in the best interest of the Group to have Mr. Charles Choi taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance. The Directors also believe that a balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and professional individuals including three independent non-executive Directors. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

The Company complied with all code provisions in the CG Code during the three months ended 31 July 2017, save for the code provision A.2.1.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Group after the three months ended 31 July 2017 and up to the date of this announcement.

DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 31 July 2017.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Anglo Chinese Corporate Finance, Limited (the "Compliance Adviser"), as at 31 July 2017, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 18 July 2016, the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company set up an audit and risk management committee (the "Audit and Risk Management Committee") on 21 February 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The duties of the Audit and Risk Management Committee are to review relationship with the Company's external auditors, review the Company's financial information, oversee the Company's financial reporting system and internal control procedures and oversee the Company's continuing connected transactions. The Audit and Risk Management Committee comprises all three independent non-executive Directors, namely Mr. Lai Kwok Hung, Alex, who is the chairman of the Audit and Risk Management Committee, Mr. Yeung Chuen Chow, Thomas and Mr. Cüneyt Bülent Bilâloğlu. The unaudited consolidated financial statements of the Group for the three months ended 31 July 2017 have been reviewed by the Audit and Risk Management Committee.

By order of the Board
SG Group Holdings Limited
Choi King Ting, Charles
Chairman and Executive Director

Hong Kong, 8 September 2017

As at the date of this announcement, the executive Directors are Mr. Charles Choi and Mr. Choi Ching Shing and the independent non-executive Directors are Mr. Lai Kwok Hung, Alex, Mr. Yeung Chuen Chow, Thomas and Mr. Cüneyt Bülent Bilâloğlu.

This announcement will remain on the "Latest Company Announcements" page of the website of GEM (www.hkgem.com) for at least seven days from its date of publication. This announcement will also be published on the website of the Company at www.jcfash.com.