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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 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 Directors (the “Board”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 31 October 2017 together with the comparative unaudited figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 31 October 2017

	NOTES	Three months ended 31 October		Six months ended 31 October	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	43,710	47,108	91,545	87,346
Cost of sales and services		(31,968)	(35,855)	(68,061)	(66,961)
Gross profit		11,742	11,253	23,484	20,385
Other income		147	28	280	268
Other gains and losses, net	5	(294)	(2,023)	(213)	(4,024)
Administrative expenses		(2,623)	(887)	(4,519)	(1,983)
Selling and distribution expenses		(2,164)	(1,976)	(3,874)	(3,538)
Finance costs		(37)	(111)	(154)	(157)
Listing expenses		–	(279)	–	(6,120)
Profit before taxation	6	6,771	6,005	15,004	4,831
Income tax expense	7	(1,395)	(1,548)	(2,896)	(2,347)
Profit for the period		5,376	4,457	12,108	2,484
Other comprehensive income for the period					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Exchange difference arising on translation of foreign operations		31	–	31	–
Other comprehensive income for the period		31	–	31	–
Total comprehensive income for the period		5,407	4,457	12,139	2,484
Earnings per share – basic (Hong Kong dollars)	9	0.17	0.19	0.38	0.10

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2017

		31 October	30 April
		2017	2017
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	3,213	2,996
Deferred tax assets		9	14
		<u>3,222</u>	<u>3,010</u>
Current assets			
Inventories		2,950	1,913
Trade, bills and other receivables	<i>11</i>	41,771	18,429
Bank balances and cash		45,322	59,000
		<u>90,043</u>	<u>79,342</u>
Current liabilities			
Trade and other payables	<i>12</i>	7,466	3,723
Obligation under a finance lease	<i>13</i>	352	347
Tax payables		2,707	7,504
		<u>10,525</u>	<u>11,574</u>

		31 October	30 April
		2017	2017
	<i>NOTE</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
Net current assets		<u>79,518</u>	<u>67,768</u>
Total assets less current liabilities		<u>82,740</u>	<u>70,778</u>
Non-current liability			
Obligation under a finance lease		<u>211</u>	<u>388</u>
Net assets		<u>82,529</u>	<u>70,390</u>
Capital and reserves			
Share capital	14	320	320
Reserves		<u>82,209</u>	<u>70,070</u>
Total equity		<u>82,529</u>	<u>70,390</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 October 2017

	Share capital	Share premium	Exchange reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 May 2016 (audited)	– ⁺	–	–	24,661	24,661
Profit and total comprehensive income for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,484</u>	<u>2,484</u>
At 31 October 2016 (unaudited)	<u>–</u>	<u>–</u>	<u>–</u>	<u>27,145</u>	<u>27,145</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>31</u>	<u>12,108</u>	<u>12,139</u>
At 31 October 2017 (unaudited)	<u>320</u>	<u>39,201</u>	<u>31</u>	<u>42,977</u>	<u>82,529</u>

⁺ Less than HK\$1,000

NOTES TO THE CONDENSED CONSOLIDATED 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 have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 21 March 2017.

The addresses of the head office and the principal place of business of the Company are Unit 104A, 1/F., Fook Hong Industrial Building, 19 Sheung Yuet Road, Kowloon Bay, Hong Kong. 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, the provision of consultation services.

The condensed consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is different from the functional currency of the Company, being United States dollars (“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. BASIS OF PRESENTATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Chapter 18 of GEM Rules.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 October 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 30 April 2017.

In the current interim period, the Group has applied, for the first time, the following new amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and HKAS issued by the HKICPA:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014 – 2016 Cycle

The application of the above new amendments to HKFRSs and HKAS in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements but the application may have impact on disclosures in the consolidated financial statements for the year ending 30 April 2018.

The Group has not early applied the new and revised HKFRSs and HKASs that have been issued but are not yet effective.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on supply of apparel products and provision of consultation services for each of the reporting period end.

The Group determines its operating segments based on the reports reviewed by the executive directors, being the chief operating decision makers (the “CODMs”), 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 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 five customers namely ASOS.com Limited (“ASOS”), Lost Ink Ltd., zLabels GmbH (“Zalando”), Forever 21, Inc. and International Brands Company (2016: three customers namely ASOS, Lost Ink Ltd. and Zalando). |
| (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 apparel and footwear 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 CODMs have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

For the six months ended 31 October 2017

	Online Fashion Retailers HK\$'000 (unaudited)	Fashion Retailers HK\$'000 (unaudited)	Consultation Services HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	<u>40,291</u>	<u>49,554</u>	<u>1,700</u>	<u>91,545</u>
Segment profit	<u>9,713</u>	<u>10,302</u>	<u>1,110</u>	21,125
Unallocated income				271
Unallocated gains and losses, net				(326)
Unallocated expenses				<u>(6,066)</u>
Profit before taxation				<u>15,004</u>

For the six months ended 31 October 2016

	Online Fashion Retailers HK\$'000 (unaudited)	Fashion Retailers HK\$'000 (unaudited)	Consultation Services HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	<u>31,891</u>	<u>54,255</u>	<u>1,200</u>	<u>87,346</u>
Segment profit	<u>7,284</u>	<u>11,058</u>	<u>846</u>	19,188
Unallocated income				244
Unallocated gains and losses, net				(4,031)
Unallocated expenses				(4,450)
Listing expenses				<u>(6,120)</u>
Profit before taxation				<u>4,831</u>

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, exchange losses and income tax expenses. This is the measure reported to the CODMs of the Group for the purposes of resource allocation and performance assessment.

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

Revenue by type of products/services

	Three months ended		Six months ended	
	31 October		31 October	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Womenswear:				
Online Fashion Retailers	21,620	17,788	39,988	31,891
Fashion Retailers	16,583	20,804	35,607	37,545
	<u>38,203</u>	<u>38,592</u>	<u>75,595</u>	<u>69,436</u>
Childrenswear:				
Online Fashion Retailers	–	–	303	–
Fashion Retailers	4,407	7,916	13,947	16,710
	<u>4,407</u>	<u>7,916</u>	<u>13,947</u>	<u>16,710</u>
Subtotal for the supply of apparel products	42,610	46,508	89,845	86,146
Consultation Services	1,100	600	1,700	1,200
	<u>1,100</u>	<u>600</u>	<u>1,700</u>	<u>1,200</u>
	<u>43,710</u>	<u>47,108</u>	<u>91,545</u>	<u>87,346</u>

Segment assets and liabilities

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODMs 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:

	Three months ended		Six months ended	
	31 October		31 October	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from external customers				
United Kingdom (the "UK")	35,744	41,441	76,631	78,242
Others				
– Ireland	1,186	2,286	2,046	2,762
– Hong Kong	1,127	621	1,727	1,266
– Germany	5,197	1,740	9,687	3,198
– United States of America	292	1,013	454	1,871
– Singapore	108	–	616	–
– Others	56	7	384	7
	<u>7,966</u>	<u>5,667</u>	<u>14,914</u>	<u>9,104</u>
	<u>43,710</u>	<u>47,108</u>	<u>91,545</u>	<u>87,346</u>

The Group's non-current assets (excluding deferred tax assets) by geographical location of the assets are detailed below:

	31 October 2017 HK\$'000 (unaudited)	30 April 2017 HK\$'000 (audited)
Hong Kong	2,816	2,996
People's Republic of China (the "PRC")	397	–
	<u>3,213</u>	<u>2,996</u>

Information about major customers

Revenue from major customers which accounted for 10% or more of the Group's revenue for the reporting period is set out below:

	Three months ended 31 October 2017 HK\$'000 (unaudited)		Six months ended 31 October 2017 HK\$'000 (unaudited)	
	2016 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Customer A ¹	20,102	16,717	36,603	29,758
Customer B ²	<u>10,021</u>	<u>18,278</u>	<u>27,151</u>	<u>34,719</u>

¹ Revenue generated from a Fashion Retailer for the supply of womenswear and childrenswear.

² Revenue generated from an Online Fashion Retailer for the supply of womenswear.

5. OTHER GAINS AND LOSSES, NET

	Three months ended 31 October 2017 HK\$'000 (unaudited)		Six months ended 31 October 2017 HK\$'000 (unaudited)	
	2016 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Net gain on disposal of property, plant and equipment	–	–	–	15
Net exchange losses	(294)	(2,023)	(213)	(4,039)
	<u>(294)</u>	<u>(2,023)</u>	<u>(213)</u>	<u>(4,024)</u>

6. PROFIT BEFORE TAXATION

	Three months ended		Six months ended	
	31 October		31 October	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging:				
Staff costs	1,599	1,050	3,043	2,071
Depreciation of property, plant and equipment	85	112	198	184
Minimum lease payments	359	222	582	431
Cost of inventories recognised as expenses	31,665	35,678	67,471	66,607

7. INCOME TAX EXPENSE

	Three months ended		Six months ended	
	31 October		31 October	
	2017	2016	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
The charge comprises:				
Hong Kong Profits Tax	1,390	1,536	2,891	2,344
Deferred tax expense	5	12	5	3
	1,395	1,548	2,896	2,347

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

8. DIVIDEND

The board of directors does not recommend the payment of any dividend for the six months ended 31 October 2017 (six months ended 31 October 2016: nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

	Three months ended		Six months ended	
	31 October		31 October	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings:				
Earnings for the purpose of calculating basic earnings per share (profit for the period)	<u>5,376</u>	<u>4,457</u>	<u>12,108</u>	<u>2,484</u>
	'000	'000	'000	'000
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>32,000</u>	<u>24,000</u>	<u>32,000</u>	<u>24,000</u>

No diluted earnings 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 per share has been determined on the assumption that the reorganisation of the Group (as set out in the section headed "History and Corporate Structure-Reorganisation" in the prospectus of the Company dated 28 February 2017) and the Capitalisation Issue (as set out in note 14) had been effective on 1 May 2015.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 October 2017, additions to property, plant and equipment, which mainly comprised additions to fixtures and furniture, amounted to HK\$412,000 (2016: mainly comprised additions to leasehold property and motor vehicles of HK\$3,104,000).

11. TRADE, BILLS AND OTHER RECEIVABLES

	31 October 2017 HK\$'000 (unaudited)	30 April 2017 HK\$'000 (audited)
Trade receivables (net of allowance for doubtful debts)	36,417	16,235
Bills receivables	1,337	457
	37,754	16,692
Other receivables		
– Deposits and prepayments	3,901	1,218
– Others	116	519
Total trade, bills and other receivables	41,771	18,429

For customers with good credit quality and payment history, the Group allows credit periods of no longer than 90 days. For other customers, the Group requests an advance deposit payment and demands for full settlement upon delivery of the goods.

The following is an aging analysis of trade and bill receivables presented based on the invoice date at the end of each reporting period, which approximates the revenue recognition dates:

	31 October 2017 HK\$'000 (unaudited)	30 April 2017 HK\$'000 (audited)
Within 60 days	29,736	12,284
61 to 180 days	7,210	3,636
181 to 365 days	48	415
Over 365 days	760	357
	37,754	16,692

12. TRADE AND OTHER PAYABLES

	31 October 2017 HK\$'000 (unaudited)	30 April 2017 HK\$'000 (audited)
Trade payables	3,809	1,047
Other payables	1,372	311
Deposits received from customers	83	112
Accrued expenses	2,032	2,049
Receipts in advance from customers	170	204
	<hr/>	<hr/>
Total trade and other payables	7,466	3,723

The credit period of trade payables ranges from 30 to 90 days.

The following is an aging analysis of trade payables based on the invoice date at the end of each reporting period.

	31 October 2017 HK\$'000 (unaudited)	30 April 2017 HK\$'000 (audited)
Within 60 days	3,395	856
61 to 180 days	397	191
181 to 365 days	17	–
	<hr/>	<hr/>
	3,809	1,047

13. OBLIGATION UNDER A FINANCE LEASE

Obligation under a finance lease relates to a motor vehicle purchased under a finance lease arrangement. The lease term is three years. The contractual interest rate underlying the obligation was fixed at the contract date is 1.28% per annum and the effective interest rate is 3.16% per annum. Details of the obligation under the finance lease are set out below:

	Minimum lease payments		Present value of minimum lease payment	
	31 October	30 April	31 October	30 April
	2017	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(audited)	(unaudited)	(audited)
Amount payable under a finance lease:				
Within one year	365	365	352	347
More than one year but not exceeding five years	213	395	211	388
	578	760	563	735
Less: future finance charges	(15)	(25)	N/A	N/A
Present value of lease obligation	563	735	563	735
Less: Amount due for settlement within twelve months shown under current liabilities			(352)	(347)
Amount due for settlement after twelve months shown under non-current liabilities			211	388

The Group's obligation under a finance lease is secured by the lessor's title to the leased asset.

14. SHARE CAPITAL

Details of movements of authorised and issued capital of the Company are as follow:

	Number of shares	Share capital HK\$
Ordinary share of HK\$0.01 each		
Authorised:		
At 1 May 2016	38,000,000	380,000
Increase during the year	<u>162,000,000</u>	<u>1,620,000</u>
At 30 April 2017 and 31 October 2017	<u>200,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
At 1 May 2016	100	1
Capitalisation Issue (<i>Note 1</i>)	23,999,900	239,999
Issue of new shares upon listing (<i>Note 2</i>)	<u>8,000,000</u>	<u>80,000</u>
At 30 April 2017 and 31 October 2017	<u>32,000,000</u>	<u>320,000</u>

Note 1: Pursuant to a resolution of the sole shareholder of the Company passed on 21 February 2017, the directors of the Company were authorised to capitalise an amount of HK\$239,999 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 23,999,900 shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on that date (the “Capitalisation Issue”).

Note 2: On 21 March 2017, upon listing on the Stock Exchange, the Company issued 8,000,000 shares with par value HK\$0.01 each at HK\$5.75 each with gross proceeds of approximately HK\$46,000,000.

15. PLEDGE OF ASSETS

At 31 October 2017, the Group’s obligation under a finance lease (note 13) was secured by the lessor’s title to the leased asset, which had a carrying amount of HK\$865,000 (30 April 2017: HK\$975,000).

16. RELATED PARTY DISCLOSURES

A close family member of Mr. Charles Choi has provided a personal guarantee of HK\$10,000,000 in aggregate and, Mr. Charles Choi and his spouse have provided unlimited personal guarantees to a bank, to secure the banking facilities granted to the Group and the facility has not been utilised by the Group as at 30 April 2017. All of these personal guarantees have been released as at 31 October 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an apparel designing and sourcing service provider for branded fashion retailers. The revenue for the six months ended 31 October 2017 was derived from the supply of apparel products to online fashion retailers and fashion retailers and provision of consultation services.

Supply of apparel products to online fashion retailers and fashion retailers

For the six months ended 31 October 2017, the Group recorded increases in revenue of approximately 4.3% and gross profit of approximately 14.5% 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 which generated profit of approximately HK\$1.1 million during the six months ended 31 October 2017, as compared to a profit of approximately HK\$0.8 million during the corresponding period of 2016, representing an increase of approximately 37.5%. This segment mainly includes providing consultation services to apparel and footwear manufacturers which include assisting them to comply with corporate social responsibility standards requirements, providing fashion trend forecast analysis as well as design specification and introducing potential customers to them.

On 21 March 2017, the shares of the Company (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. Further details are set out in the paragraph headed “Use of Proceeds” in this announcement.

FINANCIAL REVIEW

Revenue

The Group's revenue increased to approximately HK\$91.6 million for the six months ended 31 October 2017 from approximately HK\$87.3 million for the six months ended 31 October 2016, representing an increase of approximately 4.9%. Such an increase in the Group's revenue was mainly attributable to the increase in sales orders from new customers, quantity of sales orders from existing customers and the provision of consultation services.

Cost of sales and services

The Group's cost of sales and services primarily consists of cost of goods sold and services provided and other direct costs. The cost of sales and services increased to approximately HK\$68.1 million for the six months ended 31 October 2017 from approximately HK\$67.0 million for the six months ended 31 October 2016, representing an increase of approximately 1.6%. The Group's cost of sales and services increased along with the growth in revenue for the six months ended 31 October 2017.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$23.5 million for the six months ended 31 October 2017 from approximately HK\$20.4 million for the six months ended 31 October 2016, representing an increase of approximately 15.2%. The Group's gross profit margin was approximately 25.7% for the six months ended 31 October 2017 and approximately 23.3% for the six months ended 31 October 2016.

Other gains and losses, net

The Group recorded other losses of approximately HK\$0.2 million for the six months ended 31 October 2017, as compared to other losses of approximately HK\$4.0 million for the six months ended 31 October 2016. The decrease of other losses was mainly attributable to the appreciation of Great British Pound (“GBP”) during the six months ended 31 October 2017.

Selling and distribution expenses

The Group’s selling and distribution expenses increased to approximately HK\$3.9 million for the six months ended 31 October 2017 from approximately HK\$3.5 million for the six months ended 31 October 2016, representing an increase of approximately 11.4%. The increase in the Group’s selling and distribution expenses was in line with the increase of revenue for the six months ended 31 October 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\$4.5 million for the six months ended 31 October 2017 from approximately HK\$2.0 million for the six months ended 31 October 2016, representing an increase of approximately 125.0%. Such an increase was mainly due to the increase in professional fees for compliance purpose after listing and general office expenses in a subsidiary as the Group had expanded its operations in the PRC since August 2017.

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased to approximately HK\$12.1 million for the six months ended 31 October 2017 from approximately HK\$2.5 million for the six months ended 31 October 2016, representing an increase of approximately 384.0%. Such increase was mainly attributable to the net effect of the increase in administrative expenses by approximately HK\$2.5 million, the decrease in non-recurring listing expenses by approximately HK\$6.1 million and the decrease in foreign exchange losses by HK\$3.8 million due to the appreciation of GBP during the six months ended 31 October 2017.

Basic earnings per Share

The Company's basic earnings per Share for the six months ended 31 October 2017 was approximately HK\$0.38 (six months ended 31 October 2016: HK\$0.10), representing an increase of approximately HK\$0.28, or approximately 280.0%, which is in line with the profit and total comprehensive income attributable to owners of the Company for the six months ended 31 October 2017, as compared to that for the six months ended 31 October 2016.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 31 October 2017, the Group mainly financed its operations with its own working capital. As at 31 October 2017 and 30 April 2017, the Group had net current assets of approximately HK\$79.5 million and HK\$67.8 million, respectively, including cash and bank balances of approximately HK\$45.3 million and HK\$59.0 million, respectively. The Group's current ratio (current assets divided by current liabilities) increased from approximately 6.9 as at 30 April 2017 to approximately 8.6 as at 31 October 2017. Such an increase was mainly because of the large amount of income tax paid during the six months ended 31 October 2017.

Gearing ratio is calculated by dividing total debts by total equity as at the end of the reporting period. The Group's gearing ratio was approximately 0.003 as at 31 October 2017 (30 April 2017: 0.006).

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 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\$4.0 million and HK\$0.6 million as at 31 October 2017 and 30 April 2017, respectively. As at 31 October 2017 and 30 April 2017, 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 October 2017, the Company's issued share capital was HK\$320,000 divided into 32,000,000 Shares of HK\$0.01 each.

SIGNIFICANT INVESTMENTS

During the six months ended 31 October 2017, the Group did not hold any significant investments (six months ended 31 October 2016: nil).

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 October 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 October 2017 (30 April 2017: nil).

FOREIGN EXCHANGE EXPOSURE

The Group's exposure to foreign currency risk primarily related to HK\$ and GBP. As HK\$ is pegged to the functional currency of the Group, United States dollars ("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 exchange rate risk from fluctuation of GBP. The Group does not undertake any foreign currency hedge currently.

PLEDGE OF ASSETS

As at 31 October 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\$0.9 million (30 April 2017: HK\$1.0 million).

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were 37 and 20 as at 31 October 2017 and 31 October 2016, respectively. The Group's employee benefit expenses mainly included salaries, wages, other staff benefits and contributions to retirement schemes. For the six months ended 31 October 2017 and 31 October 2016, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$3.0 million and HK\$2.1 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.

USE OF PROCEEDS

The Shares have been successfully listed on GEM on the Listing Date. The actual net proceeds from the Share Offer, after deducting commission and expenses borne by the Company in connection with the Share Offer, were approximately HK\$44.4 million (the "Actual Net Proceeds"), which were higher than the estimated figure as stated in the Prospectus. Thus, the Company plans to apply the Actual Net Proceeds on the same business strategic plans as stated in the Prospectus for the period from 21 February 2017 to 31 October 2020 (the "Period") but with monetary adjustments to each business strategic plan on a pro-rata basis. The table below sets out an adjusted allocation of the Actual Net Proceeds, the actual usage of the Actual Net Proceeds and the unutilised Actual Net Proceeds as at 31 October 2017.

Business strategies as set out in the Prospectus	Adjusted allocation of the Actual Net Proceeds HK\$'000	Actual usage of the Actual Net Proceeds as at 31 October 2017 HK\$'000	Unutilised Actual Net Proceeds as at 31 October 2017 HK\$'000
Further strengthening the relationships with our existing customers and developing relationships with new customers	27,464	430	27,034
Further strengthening our design and development capabilities to enhance our business model	4,703	691	4,012
Expanding the geographical base of the third-party suppliers and diversifying our supplier base	5,191	3,466	1,725
Enhancing our corporate image to attract customer attention	2,662	–	2,662
General working capital	4,392	475	3,917
Total	44,412	5,062	39,350

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 the important market, 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 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 October 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. Choi King Ting, Charles ("Mr. Charles Choi") (Note 1)	Interest in controlled corporation	24,000,000 (L) (Note 2)	75.00%

Notes:

- (1) Mr. Charles Choi directly owns 100% of JC Fashion International Group Limited ("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.
- (2) The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at 31 October 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 October 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 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 (L) (<i>Note 2</i>)	75.00%

Notes:

- (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.
- (2) The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at 31 October 2017, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares 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

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 six months ended 31 October 2017.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding 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 six months ended 31 October 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 six months ended 31 October 2017 or at any time during the six months ended 31 October 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 six months ended 31 October 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 six months ended 31 October 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) were 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.

NON-COMPETITION UNDERTAKING

The Company confirms that the non-competition undertaking of Mr. Charles Choi and JC International (details of which were set out in the Prospectus) has been fully complied and enforced since the Listing Date and up to 31 October 2017. The Board also confirms that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the Shareholders and the potential investors of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance code are 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 six months ended 31 October 2017, save for code provision A.2.1.

EVENTS AFTER THE REPORTING PERIOD

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

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 October 2017 (six months ended 31 October 2016: nil).

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Anglo Chinese Corporate Finance, Limited (the "Compliance Adviser"), as at 31 October 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 has 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 condensed consolidated financial statements of the Group for the six months ended 31 October 2017 have been reviewed by the Audit and Risk Management Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and adequate disclosures have been made.

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

Hong Kong, 13 December 2017

As at the date of this announcement, the executive Directors are Mr. Choi King Ting, Charles 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.