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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 ANNUAL RESULTS FOR THE YEAR ENDED 30 APRIL 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 30 April 2018 together with the comparative audited figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 April 2018

	<i>NOTES</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	4	192,515	165,803
Cost of sales and services		<u>(142,264)</u>	<u>(125,984)</u>
Gross profit		50,251	39,819
Other income		660	372
Other gains and losses, net		(1,655)	(4,271)
Administrative expenses		(9,780)	(6,030)
Selling and distribution expenses		(9,689)	(7,461)
Finance costs		(368)	(385)
Listing expenses		<u>–</u>	<u>(11,186)</u>
Profit before taxation		29,419	10,858
Income tax expense	5	<u>(5,868)</u>	<u>(4,650)</u>
Profit for the year		23,551	6,208
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit of loss:</i>			
Exchange differences arising on translation of foreign operations		<u>641</u>	<u>–</u>
Other comprehensive income for the year		<u>641</u>	<u>–</u>
Total comprehensive income for the year		<u>24,192</u>	<u>6,208</u>
Earnings per share – basic (Hong Kong dollars)	7	<u>0.74</u>	<u>0.25</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2018

		2018	2017
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		3,699	2,996
Deferred tax assets		–	14
		<u>3,699</u>	<u>3,010</u>
Current assets			
Inventories		1,995	1,913
Trade, bills and other receivables	8	50,632	18,429
Bank balances and cash		62,658	59,000
		<u>115,285</u>	<u>79,342</u>
Current liabilities			
Trade and other payables	9	18,387	3,723
Obligation under a finance lease		358	347
Tax payables		5,581	7,504
		<u>24,326</u>	<u>11,574</u>
Net current assets		<u>90,959</u>	<u>67,768</u>
Total assets less current liabilities		<u>94,658</u>	<u>70,778</u>

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current liabilities		
Obligation under a finance lease	30	388
Deferred tax liabilities	46	–
	<u>76</u>	<u>388</u>
Net assets	<u>94,582</u>	<u>70,390</u>
Capital and reserves		
Share capital	320	320
Reserves	94,262	70,070
	<u>94,582</u>	<u>70,390</u>
Total equity	<u>94,582</u>	<u>70,390</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2018

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2016	- ⁺	-	-	-	24,661	24,661
Profit and total comprehensive income for the year	-	-	-	-	6,208	6,208
Capitalisation issue	240	(240)	-	-	-	-
Issue of new shares upon listing	80	45,920	-	-	-	46,000
Cost of issuance of shares	-	(6,479)	-	-	-	(6,479)
At 30 April 2017	320	39,201	-	-	30,869	70,390
Profit and total comprehensive income for the year	-	-	-	641	23,551	24,192
Transfer to statutory reserve	-	-	65	-	(65)	-
At 30 April 2018	<u>320</u>	<u>39,201</u>	<u>65</u>	<u>641</u>	<u>54,355</u>	<u>94,582</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 ordinary shares of the Company (the “**Shares**”) have been listed on GEM of the Stock Exchange since 21 March 2017 (the “**Listing Date**”).

The registered office of the Company is situated at 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands.

The address of the head office and the principal place of business of the Company is Unit 104A, 1st Floor, 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 consolidated financial statements are presented in Hong Kong dollars (“**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 principal subsidiaries are in Hong Kong.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622 of the Laws of Hong Kong). Besides, the consolidated financial statements include applicable disclosures required by GEM Listing Rules. The consolidated financial statements have been prepared under the historical cost convention.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

The Group has consistently adopted all HKFRSs issued by HKICPA which are effective for annual period beginning on 1 May 2017.

New and amendments to HKFRSs and an interpretation issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and interpretations that have been issued but are not yet effective:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ²
Amendments to HKAS 28	As part of Annual Improvements to HKFRSs 2014-2016 Cycle ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 40	Transfers of Investment Property ¹
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but available for adoption

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group is in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 30 April 2018, the directors of the Company anticipate that the following potential impact on initial application of HKFRS 9:

Classification and measurement

Except for financial assets which are subject to expected credit loss model upon application of HKFRS 9, all financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, they anticipate that the application of HKFRS 9 will not have material impact on the financial results and the financial position of the Group.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Except as described above, the directors of the Company anticipate that the application of other new and amendments to HKFRSs and the interpretations will have no material impact on the Group’s consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on supply of apparel products and provision of consultation services.

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 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 (2017: four customers namely ASOS, Lost Link Ltd, Zalando and International Brands Company). |
| (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 revenue and results

For the year ended 30 April 2018

	Online fashion retailers HK\$'000	Fashion retailers HK\$'000	Subtotal HK\$'000	Consultation services HK\$'000	Consolidated HK\$'000
Segment revenue	<u>85,951</u>	<u>103,664</u>	<u>189,615</u>	<u>2,900</u>	<u>192,515</u>
Segment profit	<u>20,308</u>	<u>19,638</u>	<u>39,946</u>	<u>1,912</u>	41,858
Unallocated income					105
Unallocated losses					(550)
Unallocated expenses					(11,976)
Unallocated finance costs					<u>(18)</u>
Profit before taxation					<u>29,419</u>

For the year ended 30 April 2017

	Online fashion retailers HK\$'000	Fashion retailers HK\$'000	Subtotal HK\$'000	Consultation services HK\$'000	Consolidated HK\$'000
Segment revenue	<u>60,774</u>	<u>101,731</u>	<u>162,505</u>	<u>3,298</u>	<u>165,803</u>
Segment profit	<u>14,470</u>	<u>19,934</u>	<u>34,404</u>	<u>2,482</u>	36,886
Unallocated losses					(4,019)
Unallocated expenses					(10,792)
Unallocated finance costs					(31)
Listing expenses					<u>(11,186)</u>
Profit before taxation					<u>10,858</u>

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 and net foreign exchange losses. This is consistent with the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

There were no inter-segment sales for both years.

Revenue by type of products/services

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Womenswear:		
Online Fashion Retailers	84,648	60,774
Fashion Retailers	74,764	75,631
	159,412	136,405
Childrenswear:		
Online Fashion Retailers	1,303	–
Fashion Retailers	28,900	26,100
	30,203	26,100
Subtotal for the supply of apparel products	189,615	162,505
Consultation services	2,900	3,298
	192,515	165,803

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:

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers		
United Kingdom (the "UK")	152,839	151,814
Germany	28,170	1,394
Ireland	3,720	4,591
Hong Kong	2,959	3,298
Spain	2,453	2,836
Singapore	1,144	–
United States of America (the "U.S.")	498	1,870
Others	732	–
	192,515	165,803

The following is an analysis of the carrying amounts of the Group's non-current assets (property, plant and equipment), analysed by the geographical area in which the assets are located:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Hong Kong	2,695	2,996
People's Republic of China (the "PRC")	1,004	–
	<u>3,699</u>	<u>2,996</u>

5. INCOME TAX EXPENSE

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	5,727	4,637
PRC Enterprise Income Tax (the "EIT")	81	–
	5,808	4,637
Deferred tax expense	60	13
	<u>5,868</u>	<u>4,650</u>

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

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit of a subsidiary established in the PRC, as determined in accordance with the relevant enterprise income law, implementation rules and notices in the PRC.

6. DIVIDEND

No dividend was paid or proposed for the ordinary shareholders of the Company during the year ended 30 April 2018 (2017: Nil), nor has any dividend been proposed since the end of the reporting period.

7. EARNINGS PER SHARE

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year)	<u>23,551</u>	<u>6,208</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>32,000</u>	<u>24,899</u>

No diluted earnings per share for both years was presented as there were no potential ordinary shares in issue for both years.

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 had been effective on 1 May 2016.

8. TRADE, BILLS AND OTHER RECEIVABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade receivables	39,386	16,494
Less: Allowance for doubtful debts	<u>–</u>	<u>(259)</u>
	39,386	16,235
Bill receivables	<u>799</u>	<u>457</u>
	40,185	16,692
Other receivables		
– Deposits and prepayments	10,341	1,218
– Others	<u>106</u>	<u>519</u>
	10,447	1,737
Total trade, bills and other receivables	<u>50,632</u>	<u>18,429</u>

For customers with good credit quality and payment history, the Group allows credit periods of no longer than 90 days (2017: 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 aged analysis of trade and bill receivables (net of allowance for doubtful debts) presented based on the invoice date at the end of each reporting period, which approximate the revenue recognition dates:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 60 days	32,018	12,284
61 to 180 days	8,000	3,636
181 to 365 days	151	415
Over 365 days	16	357
	<u>40,185</u>	<u>16,692</u>

The management of the Group closely monitors the credit quality of trade and bill receivables and considers the debts that are neither past due nor impaired are of a good credit quality. Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating limits for each customer. Limits attributed to customers are reviewed once a year. Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no history of default.

9. TRADE AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Trade payables	13,482	1,047
Other payables	2,503	311
Deposits received from customers	33	112
Accrued expenses	2,330	2,049
Receipts in advance from customers	39	204
	<u>18,387</u>	<u>3,723</u>
Total trade and other payables	<u>18,387</u>	<u>3,723</u>

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

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Within 60 days	11,409	856
61 to 180 days	1,427	191
181 to 365 days	619	–
Over 365 days	27	–
	13,482	1,047

10. PLEDGE OF ASSETS

At 30 April 2018, the Group's obligation under a finance lease was secured by the lessor's title to the leased assets, which had a carrying amount of HK\$754,000 (2017: HK\$975,000).

11. RELATED PARTY DISCLOSURES

- (i) In addition to the transactions, balances and commitments disclosed elsewhere in the consolidated financial statements, the Group had entered into the following related party transactions:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Rental expenses to a related company ¹	54	–
Rental expenses to a related party ²	287	–

¹ This represented rental expenses payable to an entity controlled by a close family member of Mr. Choi King Ting Charles (“**Mr. Charles Choi**”), the controlling shareholder of the Company, for the lease of office premises in Hong Kong.

² This represented rental expenses payable to a relative of Mr. Charles Choi, for the lease of office premises in Shenzhen, the PRC.

- (ii) 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. No facility has been utilised by the Group as at 30 April 2017. All of these personal guarantees have been released as at 30 April 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an apparel designing and sourcing service provider for branded fashion retailers. The revenue for the year ended 30 April 2018 was derived from the supply of apparel products to online fashion retailers and fashion retailers and the provision of consultation services.

Supply of apparel products to online fashion retailers and fashion retailers

The Group's revenue increased by 16.7% to approximately HK\$189.6 million for the year ended 30 April 2018 from approximately HK\$162.5 million for the year ended 30 April 2017, representing an increase in revenue of approximately HK\$27.1 million. Such increases were mainly due to the sales generated from new customers and the increase in 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 maintaining a growth in revenue.

Consultation services

The Group engaged its business in the provision of consultation services which generated profit of approximately HK\$1.9 million during the year ended 30 April 2018 as compared to a profit of approximately HK\$2.5 million during the year ended 30 April 2017, representing a decrease of approximately 23.0%. Such a decrease was mainly due to lower service fee charged in relation to less comprehensive scope of services requested by customers during the year ended 30 April 2018. This segment mainly includes providing consultation services to apparel and footwear manufacturers by 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.

On the Listing Date, 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 would utilise such net proceeds in accordance with the business strategies as set out in the Company's prospectus dated 28 February 2017 (the "**Prospectus**"). Further details are set out in the section headed "Use of Proceeds" in this announcement.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 16.1% to approximately HK\$192.5 million for the year ended 30 April 2018 from approximately HK\$165.8 million for the year ended 30 April 2017. Such an increase in the Group's revenue was mainly due to the sales generated from new customers and the increase in quantity of sales orders of the Group's largest customer, which recorded an increase in sales of approximately HK\$22.5 million.

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 by 12.9% to approximately HK\$142.3 million for the year ended 30 April 2018 as compared to HK\$126.0 million for the year ended 30 April 2017. The cost of sales and services increased along with the growth in revenue for the year ended 30 April 2018.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$50.3 million for the year ended 30 April 2018 from approximately HK\$39.8 million for the year ended 30 April 2017, representing an increase of approximately 26.2%. The Group's gross profit margin was approximately 26.1% for the year ended 30 April 2018 and approximately 24.0% for the year ended 30 April 2017. The increase in gross profit margin was mainly due to the provision of fabric supply chain solutions which enabled the Group to get a better price from approved suppliers of apparel products during the year ended 30 April 2018.

Other gains and losses, net

The Group recorded other losses of approximately HK\$1.7 million for the year ended 30 April 2018, comprising net foreign exchange losses of approximately HK\$0.4 million and irrecoverable trade receivables of approximately HK\$1.2 million, as compared to other losses of approximately HK\$4.3 million for the year ended 30 April 2017, representing a decrease of approximately 61.3%. Such a decrease was mainly due to change in invoicing currency of sales from Great British Pound (“**GBP**”) to US\$ which had minimized the foreign exchange rate risk from fluctuation of GBP.

Selling and distribution expenses

The Group's selling and distribution expenses increased to approximately HK\$9.7 million for the year ended 30 April 2018 from approximately HK\$7.5 million for the year ended 30 April 2017, representing an increase of approximately 29.9%. The increase in the Group's selling and distribution expenses was mainly due to the increase in freight expenses and staff salaries which were in line with the increase in revenue for the year ended 30 April 2018.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, operating lease rentals mainly for office, entertainment expenses, 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\$9.8 million for the year ended 30 April 2018 from approximately HK\$6.0 million for the year ended 30 April 2017, representing an increase of approximately 62.2%. 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 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\$24.2 million for the year ended 30 April 2018 from approximately HK\$6.2 million for the year ended 30 April 2017, representing an increase of approximately 289.7%. Such an increase was mainly attributable to the absence of listing expenses and the decrease in foreign exchange losses as compared to the year ended 30 April 2017.

Basic earnings per Share

The Company's basic earnings per Share for the year ended 30 April 2018 was approximately HK\$0.74 (30 April 2017: HK\$0.25), representing an increase of approximately HK\$0.49, or approximately 196.0%, which was in line with the increase in profit attributable to owners of the Company for the year ended 30 April 2018, as compared to that for the year ended 30 April 2017.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 30 April 2018, the Group mainly financed its operations with its own working capital. As at 30 April 2018 and 2017, the Group had net current assets of approximately HK\$91.0 million and HK\$67.8 million, respectively, which include cash and bank balances of approximately HK\$62.7 million and HK\$59.0 million, respectively. The Group's current ratio (that is, current assets divided by current liabilities) decreased from approximately 6.9 as at 30 April 2017 to approximately 4.7 as at 30 April 2018. Such a decrease was mainly because the Group made a large proportion of purchase near the end of the reporting period resulted in an increase in trade payables as at 30 April 2018.

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 0.004 as at 30 April 2018 (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 to 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 relate 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\$3.9 million and HK\$0.6 million as at 30 April 2018 and 2017, respectively. The increase in operating lease commitments was mainly due to the establishment of the sourcing office in the PRC. As at 30 April 2018 and 30 April 2017, the Group did not have any significant capital commitments.

CAPITAL STRUCTURE

As at 30 April 2018 and 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 30 April 2018 and 2017, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any acquisitions or disposals of subsidiaries and affiliated companies during the year ended 30 April 2018.

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 30 April 2018 and 2017.

FOREIGN EXCHANGE EXPOSURE

As at 30 April 2018 and 2017, the Group's exposure to 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 exchange rate risk from fluctuations of GBP. The Group currently does not undertake any foreign currency hedge.

PLEDGE OF ASSETS

As at 30 April 2018, the Group's obligation under a finance lease was secured by the lessor's title to the leased assets, which had a carrying amount of HK\$0.8 million (30 April 2017: HK\$1.0 million).

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were 42 and 17 as at 30 April 2018 and 2017, respectively. The Group expanded its operations in the PRC since August 2017 with 30 PRC employees as at 30 April 2018. The Group's employee benefit expenses mainly include salaries, wages, other staff benefits, contributions to retirement schemes and the state-sponsored retirement plan. For the years ended 30 April 2018 and 2017, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$7.0 million and HK\$5.0 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group mainly carries out its businesses in Hong Kong and the PRC. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong and the PRC during the year ended 30 April 2018.

The Group also complies with the requirements under the Company Law (2013 Revision) of the Cayman Islands, the GEM Listing Rules and the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong (the "SFO") for the disclosure of information and corporate governance.

ENVIRONMENTAL POLICY

The Group aims to protect the environment by minimising environmental adverse impacts in daily operations, such as energy saving and recycling of office resources. The Group will continue to seek for better environmental practices and promote the right environmental attitudes within the organisation. The Group has complied with all relevant laws and regulations regarding environmental protection, health and safety, workplace conditions and employment.

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises employees as one of the valuable assets of the Group and the Group strictly complies with the labour laws and regulations in Hong Kong and regularly reviews the existing staff benefits for improvement. Apart from the reasonable remuneration packages, the Group also offers other employee benefits, such as medical insurance.

The Group provides good quality services to the customers and maintains a good relationship with them. The Group keeps a database to directly communicate with recurring customers for developing a long-term business relationship.

The Group also maintains effective communication and develops a long term trust relationship with the suppliers. During the year ended 30 April 2018, there was no material dispute or disagreement between the Group and its suppliers.

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 the Listing Date 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 and the actual use of the Actual Net Proceeds as at 30 April 2018 as well as the reasons for the delay in using the Actual Net Proceeds as proposed in the Prospectus:

Business strategies as set out in the Prospectus	Adjusted allocation of the Actual Net Proceeds from the Listing Date to 31 October 2020 HK\$'000	Adjusted allocation of the Actual Net Proceeds from the Listing Date to 30 April 2018 HK\$'000	Actual usage of the Actual Net Proceeds as at 30 April 2018 HK\$'000	Under-utilised/ (Over-utilised) Actual Net Proceeds as at 30 April 2018 HK\$'000	Reason of under-utilised/ (over-utilised) the relevant Actual Net Proceeds as at 30 April 2018
Further strengthening the relationships with our existing customers and developing relationships with new customers					
• Acquiring a premises for the setting up of a flagship showroom in Hong Kong	16,351	16,351	-	16,351	Not yet identified a target with planned budget
• Decoration of the newly acquired premises in Hong Kong	3,161	3,161	-	3,161	Same as above
• Building an online platform with the assistance from external technology advisor	3,270	3,270	160	3,110	Expect to implement during the year ending 30 April 2019
• Frequently visiting our existing customers to strengthen our business relationship	1,308	436	-	436	Customers frequently visited the showroom in Hong Kong and the existing customers will be visited concurrently with participating trade shows during the year ending 30 April 2019
• Frequently participating in global sales conference to strengthen our business relationship with potential customers	1,308	436	-	436	Identified suitable fashion trade shows in second and third quarters of the year ending 30 April 2019
• Recruitment of one sales manager in Hong Kong	1,324	392	-	392	Not yet identified a suitable candidate with planned budget
• Recruitment of one sales executive in the UK	742	218	483	(265)	Extra costs incurred on identified candidate
Further strengthening our design and development capabilities to enhance our business model	4,703	1,180	1,385	(205)	Extra costs incurred on identified candidate
Expanding the geographical base of the third-party suppliers and diversifying our supplier base	5,191	1,725	3,468	(1,743)	Extra costs incurred on establishment of PRC subsidiaries
Enhancing our corporate image to attract customer attention	2,662	800	4	796	Identified suitable fashion trade shows in second and third quarters of the year ending 30 April 2019
General working capital	4,392	2,017	1,685	332	N/A
Total	44,412	29,986	7,185	22,801	

Reference is made to the updates on the use of proceeds in the Group's 2018 interim report. As at 31 October 2017, the Group has utilised approximately HK\$5.1 million of the Actual Net Proceeds from the Share Offer.

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 in Hong Kong for establishing a flagship showroom. 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 markets, the Group will continuously expand its business in Germany, optimise 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 develop and 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. By establishing the online showroom, it expects to capture the fast growing trend in the U.S. online fashion markets in order to obtain opportunity to develop further and increase sales in the future.

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 two PRC subsidiaries to strengthen the Group's sourcing and quality assurance ability, and 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").

PRINCIPAL RISKS AND UNCERTAINTIES

There are certain other risks involved in the Group's current operations. In particular, the Group relies on several major customers and the Group does not enter into any long-term contracts with the customers and therefore they have no commitment to place future orders with the Group, which exposes the Group to the risk of uncertainty and potential volatility in the Group's revenue. The Group also faces business risks such as (i) customers' reliance on the Group's ability to respond to changes in end consumers' preference in a timely manner; (ii) if there is a significant decrease in the orders from our customers in the UK, the Group cannot guarantee that it would be able to make up the loss of sales from other markets; (iii) the Group operates in a competitive market and the intense competition it faces may lead to a decline in the Group's market share and lower profit margins; (iv) the Group is exposed to credit risk from our customers and the payments may not be collected from our customers in the future; (v) costs increase due to fluctuations in the price, availability and quality of raw materials which could affect the supplies of the Group; and (vi) some of our customers are sensitive to social responsibility and social compliance standards if our approved suppliers have or are perceived to have failed to comply with these standards, our reputation as a design and sourcing service provider could be adversely affected and customers may choose not to continue their business with us.

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 30 April 2018, 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 (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 75.00% 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 30 April 2018, 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 30 April 2018, 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 75.00% 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 30 April 2018, 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 year ended 30 April 2018.

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 year ended 30 April 2018.

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 year ended 30 April 2018 or at any time during the year ended 30 April 2018, 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 year ended 30 April 2018. 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 year ended 30 April 2018 and up to the date of this announcement, none of the Directors nor 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 30 April 2018. 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 year ended 30 April 2018, save for code provision A.2.1.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Group after the year ended 30 April 2018 and up to the date of this announcement.

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 30 April 2018 (30 April 2017: Nil).

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Anglo Chinese Corporate Finance, Limited (the "**Compliance Adviser**"), as at 30 April 2018, 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 consolidated financial statements of the Group for the year ended 30 April 2018 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, Executive Director,
and Chief Executive Officer*

Hong Kong, 28 June 2018

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.