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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 THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 JANUARY 2019

The board (the "**Board**") of directors (the "**Directors**") of SG Group Holdings Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries for the three months and nine months ended 31 January 2019. This announcement, containing the full text of the third quarterly report for the nine months ended 31 January 2019 of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**GEM Listing Rules**") in relation to information to accompany preliminary announcement of the third quarterly results.

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

Hong Kong, 11 March 2019

*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, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with 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 in this announcement misleading.*

*This announcement will remain on the "Latest Listed Company Information" page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the day of its posting. This announcement will also be published on the website of the Company at www.jcfash.com.*

# CONTENTS


| | |
|---|---|
| UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | 2 |
| UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 3 |
| NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS | 4 |
| MANAGEMENT DISCUSSION AND ANALYSIS | 23 |
| OTHER INFORMATION | 31 |

The board of the Directors (the "Board") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the three months and nine months ended 31 January 2019 together with the comparative unaudited figures for the corresponding periods in 2018 as follows:

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 JANUARY 2019

| | NOTES | Three months ended 31 January | | Nine months ended 31 January | |
|---|---|---|---|---|---|
| | | **2019 HK$'000 (unaudited)** | 2018 HK$'000 (unaudited) | **2019 HK$'000 (unaudited)** | 2018 HK$'000 (unaudited) |
| Revenue | 4 | **47,516** | 52,420 | **144,215** | 143,965 |
| Cost of sales and services | | **(34,399)** | (39,133) | **(108,149)** | (107,194) |
| Gross profit | | **13,117** | 13,287 | **36,066** | 36,771 |
| Other income | | **476** | 82 | **1,054** | 362 |
| Other gains and losses | | **618** | 1,134 | **(2,056)** | 921 |
| Loss allowance for trade receivables | | **(469)** | – | **(1,387)** | – |
| Administrative expenses | | **(3,459)** | (2,707) | **(8,442)** | (7,226) |
| Selling and distribution expenses | | **(2,252)** | (2,148) | **(6,992)** | (6,022) |
| Finance costs | | **(73)** | (50) | **(238)** | (204) |
| Professional fee in relation to transfer of listing | | **(787)** | – | **(5,922)** | – |
| Profit before taxation | | **7,171** | 9,598 | **12,083** | 24,602 |
| Income tax expenses | 5 | **(1,808)** | (2,125) | **(3,601)** | (5,021) |
| Profit for the period | | **5,363** | 7,473 | **8,482** | 19,581 |
| **Other comprehensive (expense) income for the period** | | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | | |
| Exchange differences arising on translation of foreign operations | | **11** | 252 | **(1,025)** | 283 |
| Other comprehensive (expense) income for the period | | **11** | 252 | **(1,025)** | 283 |
| Total comprehensive income for the period | | **5,374** | 7,725 | **7,457** | 19,864 |
| Earnings per share – basic (Hong Kong dollars) | 7 | **0.17** | 0.23 | **0.27** | 0.61 |

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 JANUARY 2019

| | Share capital HK$'000 | Share premium HK$'000 | Statutory reserve HK$'000 (Note a) | Exchange reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 May 2017 (audited) | 320 | 39,201 | – | – | 30,869 | 70,390 |
| Profit and total comprehensive income for the period | – | – | – | 283 | 19,581 | 19,864 |
| At 31 January 2018 (unaudited) | 320 | 39,201 | – | 283 | 50,450 | 90,254 |
| At 30 April 2018 (audited) | **320** | **39,201** | **65** | **641** | **54,355** | **94,582** |
| Change in accounting policies (Note b) | **–** | **–** | **–** | **–** | **(2,469)** | **(2,469)** |
| Restated total equity at 1 May 2018 | **320** | **39,201** | **65** | **641** | **51,886** | **92,113** |
| Profit and total comprehensive expense for the period | **–** | **–** | **–** | **(1,025)** | **8,482** | **7,457** |
| At 1 January 2019 (unaudited) | **320** | **39,201** | **65** | **(384)** | **60,368** | **99,570** |

Notes:

(a) Amount represents statutory reserve of the subsidiary of the Company established in the People's Republic of China (the "PRC"). According to the relevant laws in the PRC, the subsidiary is required to transfer at least 10% of its net profit after taxation, as determined under the relevant accounting principles and financial regulations applicable to enterprises established in the PRC, to a non-distributable reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this reserve must be made before the distribution of a dividend to owners. Such reserve fund can be used to offset the previous years' losses, if any, and is non-distributable other than upon liquidation.

(b) At 1 May 2018, the additional credit loss allowance of HK$2,469,000 (net of tax) has been recognised against retained profits. The additional loss allowance is charged against the trade receivables (excluding bills receivables) upon the first-time adoption of HKFRS 9. Details are set out in note 3.

# NOTES TO THE UNAUDITED 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 GEM of the Stock Exchange since 21 March 2017.

The address of the head office and the principal place of business of the Company is Unit B, 9/F, Mai Wah Industrial Building, 1-7 Wah Sing Street, Kwai Chung, New Territories, 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 designing and sourcing services to online fashion retailers, fashion retailers and provision of consultation services.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is different from the functional currency of the Company, being United States dollar ("US$"). The directors of the Company consider that presenting the financial information in HK$ is preferable as the principal place of business of the Group is in Hong Kong.

## 2. BASIS OF PREPARATION

This unaudited condensed consolidated financial statements for the nine months ended 31 January 2019 (the "Third Quarterly Financial Statements") 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 Companies Ordinance (Cap.622 of the Laws of Hong Kong). Besides, the Third Quarterly Financial Statements include applicable disclosures required by the GEM Listing Rules. The Third Quarterly Financial Statements have been prepared under the historical cost convention and are presented in HK$ and all values are rounded to the nearest thousand except when otherwise indicated. The Third Quarterly Financial Statements are unaudited, but have been reviewed by the audit and risk management committee of the Company ("Audit and Risk Management Committee").

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

## 3. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies as described below and resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the Third Quarterly Financial Statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 April 2018.

### Application of new and amendments to HKFRSs

For the nine months ended 31 January 2019, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 May 2018 for the preparation of the Group's unaudited condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| HK(IFRIC) – Int 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014-2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

In addition, the Group has applied Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" in advance of the effective date, i.e. 1 May 2019.

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### Application of new and amendments to HKFRSs (continued)

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below. Except as disclosed in notes 3.1 and 3.2 below, the application of the new and amendments to HKFRSs in the current period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or disclosures set out in these unaudited condensed consolidated financial statements.

### 3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Online Fashion Retailers – Supply of apparel products with designing and sourcing services to fashion retailers with sales through online platform.

- Fashion Retailers – Supply of apparel products with designing and sourcing services to fashion retailers other than "Online Fashion Retailers" as defined above.

- Consultation services – Income from provision of consultation services to shirt and footwear manufacturers which mainly include (a) assisting them to comply with corporate social responsibility standards requirements; (b) providing fashion trend forecast analysis; (c) design specification; and (d) introducing potential customers.

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (continued)

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 May 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 May 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

#### 3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (continued)

#### 3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (continued)

#### 3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

In respect of revenue from online fashion retailers and fashion retailers, the Group recognises revenue at a point in time when the customer obtains control of the distinct good.

In respect of revenue from consultation services, the Group recognises revenue over time by reference to the progress towards complete satisfaction of the relevant performance obligation.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (continued)

#### 3.1.2 Summary of effects arising from initial application of HKFRS 15

| | 30 April 2018 (originally stated) HK$'000 | Reclassification HK$'000 | 1 May 2018 (restated) HK$'000 |
|---|---|---|---|
| Trade and other payables | 18,387 | (72) | 18,315 |
| Contract liabilities | – | 72 | 72 |

Note: As at 1 May 2018, deposits received and receipt in advance from customers of HK$72,000 in respect of apparel contracts previously included in trade and other payables were reclassified to contract liabilities for HK$72,000.

The following tables summarise the impacts of applying HKFRS 15 on the Group's unaudited condensed consolidated statement of financial position as at 31 January 2019 for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

***Impact on the unaudited condensed consolidated statement of financial position***

| | As reported HK$'000 | Reclassification HK$'000 | Amounts without application of HKFRS 15 HK$'000 |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade and other payables | 37,880 | 2,013 | 39,893 |
| Contract liabilities | 2,013 | (2,013) | – |

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments

In the current period, the Group has applied HKFRS 9 "Financial Instruments", Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the requirements for ECL retrospectively to instruments that have not been derecognised as at 1 May 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 May 2018. The difference between carrying amounts as at 30 April 2018 and the carrying amounts as at 1 May 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

#### 3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

*Classification and measurement of financial assets*

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (continued)

#### 3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

*Classification and measurement of financial assets (continued)*

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

The directors of the Company reviewed and assessed the Group's financial assets as at 1 May 2018 based on the facts and circumstances that existed at that date. No material impact on the amount recognised in the unaudited condensed consolidated financial statements.

*Measurement of financial assets*

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment requirements under HKFRS 9 (including trade, bills and other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (continued)

#### 3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

*Measurement of financial assets (continued)*

Impairment under ECL model (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (continued)

#### 3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

*Measurement of financial assets (continued)*

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (continued)

#### 3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

*Measurement of financial assets (continued)*

Significant increase in credit risk (continued)

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (continued)

#### 3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

*Measurement of financial assets (continued)*

Measurement and recognition of ECL (continued)

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 May 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 3.2.2.

#### 3.2.2 Summary of effects arising from initial application of HKFRS 9

In relation to the impairment of financial assets, the Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been determined by assessing the credit risk characteristics of each customer individually.

Loss allowances for other financial assets at amortised cost mainly comprise of bills and other receivables and bank balances, are measured on 12m ECL basis and there has been no significant increase in credit risk since initial recognition.

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (continued)

#### 3.2.2 Summary of effects arising from initial application of HKFRS 9 (continued)

At 1 May 2018, the additional credit loss allowance of HK$2,469,000 has been recognised against retained profits. The additional loss allowance is charged against loss allowance account of the trade receivables (excluding bills receivables). Loss allowances for trade receivables as at 30 April 2018 reconcile to the opening loss allowance as at 1 May 2018 is as follows:

| | **Trade receivables (excluding bills receivables)** HK$'000 |
|---|---|
| At 30 April 2018 – HKAS 39 | 39,386 |
| Amounts remeasured through opening retained profits | (2,876) |
| At 1 May 2018 | 36,510 |

Impacts on opening unaudited condensed consolidated statement of financial position are arised from the application of HKFRS 9. As a result of the changes in the entity's accounting policies above, the opening unaudited condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

## 3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### 3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (continued)

#### 3.2.2 Summary of effects arising from initial application of HKFRS 9 (continued)

| | 30 April 2018 (originally stated) HK$'000 | HKFRS 9 HK$'000 | 1 May 2018 (restated) HK$'000 |
|---|---|---|---|
| Trade, bills and other receivables | 50,632 | (2,876) | 47,756 |
| Deferred tax assets | – | 407 | 407 |
| Retained profits | 54,355 | (2,469) | 51,886 |

### 3.3 Accounting policy newly adopted in current interim period

**Intangible assets**

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

## 4. REVENUE

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

An analysis of the Group's revenue are as follows:

| | **Three months ended 31 January** | | **Nine months ended 31 January** | |
|---|---|---|---|---|
| | **2019 HK$'000 (unaudited)** | 2018 HK$'000 (unaudited) | **2019 HK$'000 (unaudited)** | 2018 HK$'000 (unaudited) |
| **At a point in time** | | | | |
| Womenswear | **41,029** | 44,465 | **125,154** | 120,060 |
| Childrenswear | **5,887** | 7,355 | **15,476** | 21,605 |
| Menswear | **–** | – | **93** | – |
| Subtotal for the supply of apparel products | **46,916** | 51,820 | **140,723** | 141,665 |
| **Overtime** | | | | |
| Consultation Services | **600** | 600 | **3,492** | 2,300 |
| | **47,516** | 52,420 | **144,215** | 143,965 |

## 4. REVENUE (CONTINUED)

### Geographical information

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

| | Three months ended 31 January | | Nine months ended 31 January | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| **Revenue from external customers** | | | | |
| United Kingdom (the "UK") | **26,098** | 40,333 | **81,458** | 116,964 |
| PRC | **6,679** | – | **26,226** | 51 |
| Germany | **7,314** | 9,384 | **24,437** | 19,071 |
| Hong Kong | **3,697** | 631 | **6,611** | 2,358 |
| United States of America | **2,465** | 22 | **2,666** | 476 |
| Ireland | **529** | 436 | **1,811** | 2,482 |
| Others | **734** | 1,614 | **1,006** | 2,563 |
| | **47,516** | 52,420 | **144,215** | 143,965 |

## 5. INCOME TAX EXPENSES

| | Three months ended 31 January | | Nine months ended 31 January | |
|---|---|---|---|---|
| | **2019 HK$'000 (unaudited)** | 2018 HK$'000 (unaudited) | **2019 HK$'000 (unaudited)** | 2018 HK$'000 (unaudited) |
| Current tax: | | | | |
| Hong Kong Profits Tax | **1,772** | 1,750 | **3,884** | 4,641 |
| PRC Enterprise Income Tax | **176** | 375 | **417** | 375 |
| | **1,948** | 2,125 | **4,301** | 5,016 |
| Deferred tax (credit) expense | **(140)** | – | **(700)** | 5 |
| | **1,808** | 2,125 | **3,601** | 5,021 |

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations in Hong Kong for the years of assessment commencing on or after 1 April 2018 will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime is applicable to the Group for the year ending 30 April 2019 only one subsidiary in the Group could elect for the two-tiered rates regime and the election, once made, is irrevocable.

The Group's operations in Mainland China are subject to enterprise income tax law of the PRC. The standard PRC enterprise income tax rate is 25%.

## 6. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 January 2019 (nine months ended 31 January 2018: nil).

## 7. EARNINGS PER SHARE

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

| | **Three months ended 31 January** | | **Nine months ended 31 January** | |
|---|---|---|---|---|
| | **2019 HK$'000 (unaudited)** | 2018 HK$'000 (unaudited) | **2019 HK$'000 (unaudited)** | 2018 HK$'000 (unaudited) |
| **Earnings:** | | | | |
| Earnings for the purpose of calculating basic earnings per share (profit for the period) | **5,363** | 7,473 | **8,482** | 19,581 |
| | **'000** | '000 | **'000** | '000 |
| **Number of shares:** | | | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | **32,000** | 32,000 | **32,000** | 32,000 |

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is an apparel designing and sourcing service provider for branded fashion retailers and wholesalers. The revenue for the nine months ended 31 January 2019 was derived from the supply of apparel products to online fashion retailers, fashion retailers and provision of consultation services.

### Supply of apparel products to branded fashion retailers and wholesalers

For the nine months ended 31 January 2019, the Group's revenue from the supply of apparel products slightly decreased by approximately 0.7% while its gross profit decreased by approximately 1.9% as compared with those for the corresponding period in 2018. Such decrease in revenue was mainly due to the decrease in sales to two major customers, of which was partly offset by the increase in sales from a new major customer. The Group has diversified its customer base geographically and has successfully developed relationships with a new major customer in order to better handle the challenging business environment.

The main reason for a slight decrease in gross profit for the period was the Group offered competitive pricing for a new major customer, which diluted the effect of sales with higher gross profit margin by providing fabric supply by the Group to two of its approved suppliers which enables the Group to obtain relatively lower prices from these two approved suppliers of apparel products.

### Consultation services

The Group continued to engage its business in the provision of consultation services which generated revenue of approximately HK$3.5 million during the nine months ended 31 January 2019, as compared to revenue of approximately HK$2.3 million during the corresponding period of 2018, representing an increase of approximately 52.2%. This segment mainly includes providing consultation services to shirts and footwear manufacturers by 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

The Group's revenue slightly increased to approximately HK$144.2 million for the nine months ended 31 January 2019 from approximately HK$144.0 million for the nine months ended 31 January 2018, representing a slight increase of approximately 0.1%. Such increase in the Group's revenue was mainly attributable to the increase in revenue generated from 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$108.1 million for the nine months ended 31 January 2019 from approximately HK$107.2 million for the nine months ended 31 January 2018, representing a slight increase of approximately 0.8%. The Group's cost of sales and services increased along with the growth in revenue for the nine months ended 31 January 2019.

### Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK$36.1 million for the nine months ended 31 January 2019 from approximately HK$36.8 million for the nine months ended 31 January 2018, representing a slight decrease of approximately 1.9%. The Group's gross profit margin was approximately 25.0% for the nine months ended 31 January 2019 and approximately 25.5% for the nine months ended 31 January 2018.

The Group offered competitive pricing for a new major customer, which diluted the effect of sales with higher gross profit margin by providing fabric supply by the Group to two of its approved suppliers which enables the Group to obtain relatively lower prices from these two approved suppliers of apparel products.

## FINANCIAL REVIEW (CONTINUED)

### Other losses

The Group recorded other losses of approximately HK$2.1 million for the nine months ended 31 January 2019, as compared to other gains of approximately HK$0.9 million for the nine months ended 31 January 2018. The increase of other losses was mainly attributable to the foreign exchange losses during the nine months ended 31 January 2019.

During the three months ended 31 January 2019, the foreign exchange losses decreased by 23.1% with the implementation of the comprehensive foreign currency risk management policy.

### Loss allowance for trade receivables

The Group recorded loss allowance for trade receivables of approximately HK$1.4 million for the nine months ended 31 January 2019, mainly due to the increase of loss allowance on trade receivables.

### Selling and distribution expenses

The Group's selling and distribution expenses increased to approximately HK$7.0 million for the nine months ended 31 January 2019 from approximately HK$6.0 million for the nine months ended 31 January 2018, representing an increase of approximately 16.7%. The increase in the Group's selling and distribution expenses mainly due to the increase in freight charges relating to the additional freight cost to one major customer for the shipping terms of the Delivery-Duty-Paid orders for the nine months ended 31 January 2019.

### 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$8.4 million for the nine months ended 31 January 2019 from approximately HK$7.2 million for the nine months ended 31 January 2018, representing an increase of approximately 16.7%. Such an increase was mainly due to (i) the increase in staff salaries in Hong Kong; and (ii) the increase in general office expenses in a subsidiary as the Group had expanded its operations in the PRC since August 2017.

## FINANCIAL REVIEW (CONTINUED)

### Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company decreased to approximately HK$7.5 million for the nine months ended 31 January 2019 from approximately HK$19.9 million for the nine months ended 31 January 2018, representing a decrease of approximately 56.6%. Such decrease was mainly attributable to the net effect of the increase in non-recurring professional fee in relation to transfer of listing by approximately HK$5.9 million, the increase in foreign exchange losses by HK$3.0 million due to the depreciation of Great British Pound ("GBP") during the nine months ended 31 January 2019 and loss allowance of approximately HK$1.4 million in respect of trade receivables for the nine months ended 31 January 2019.

The underlying performance of the Group is better reflected by adjusting the profit and total comprehensive income attributed to owners of the Company for the abovementioned non-recurring professional fee in relation to transfer of listing of approximately HK$5.9 million, which was incurred during the nine months ended 31 January 2019. This resulted in an adjusted profit and total comprehensive income attributed to owners of the Company of approximately HK$14.4 million for the nine months ended 31 January 2019 representing a decrease of approximately 26.5% compared to the adjusted profit and total comprehensive income attributed to owners of the Company for the nine months ended 31 January 2018.

### Basic earnings per share

The Company's basic earnings per share for the nine months ended 31 January 2019 was approximately HK$0.27 (nine months ended 31 January 2018: HK$0.61), representing a decrease of approximately HK$0.34, or approximately 55.7%, which is in line with the profit and total comprehensive income attributable to owners of the Company for the nine months ended 31 January 2019, as compared to that for the nine months ended 31 January 2018.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

During the nine months ended 31 January 2019, the Group mainly financed its operations with its own working capital. As at 31 January 2019 and 30 April 2018, the Group had net current assets of approximately HK$78.7 million and HK$91.0 million, respectively, including bank balances and cash of approximately HK$35.9 million and HK$62.7 million, respectively. The Group's current ratio (current assets divided by current liabilities) decreased from approximately 4.7 as at 30 April 2018 to approximately 2.7 as at 31 January 2019. Such a decrease was mainly because of (i) the large increase in trade and other payables as at 31 January 2019; and (ii) the large decrease in bank balances and cash for the acquisition of a premises located in Kwai Chung in October 2018 for the purpose of setting up a new showroom.

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 0.005 as at 31 January 2019 (30 April 2018: 0.004).

## 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$3.0 million and HK$3.9 million as at 31 January 2019 and 30 April 2018, respectively.

As at 31 January 2019, the Group had capital commitments contracted for but not provided in the unaudited condensed consolidated financial statements amounted to approximately HK$0.5 million (30 April 2018: the Group did not have any significant capital commitments). Such commitments related to acquisition of intangible asset of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 January 2019, 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 nine months ended 31 January 2019, the Group did not hold any significant investments (nine months ended 31 January 2018: nil).

## MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

One of a direct wholly-owned subsidiaries of the Company has completed an acquisition of a premises located in Kwai Chung in October 2018 for the purpose of setting up a new showroom.

## 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 January 2019 (30 April 2018: nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## FOREIGN EXCHANGE EXPOSURE

As at 31 January 2019 and 2018, the Group exposured to foreign currency risk primarily related to HK$ and GBP. As HK$ is pegged to the functional currency of the Group, US$, the Group does not expect significant exchange rate risk from HK$. The management of the Group strives to change invoicing currency of sales from GBP to US$ to minimise foreign exchange rate risk from fluctuation of GBP. The Group has set up a comprehensive foreign currency risk management policy that the Group may adopt to manage the risks it faces. The Group will review such policy from time to time. The Group currently does not undertake any foreign currency hedge.

## PLEDGE OF ASSETS

As at 31 January 2019, 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$0.6 million (30 April 2018: HK$0.8 million).

## EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were 43 and 45 as at 31 January 2019 and 31 January 2018, respectively. The Group's employee benefit expenses mainly included salaries, wages, other staff benefits and contributions to retirement schemes. For the nine months ended 31 January 2019 and 31 January 2018, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK$5.1 million and HK$4.8 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## FUTURE PROSPECTS

The Group's comprehensive designing and sourcing services along the apparel supply chain which include design and development, sourcing of suppliers, production and logistics management and quality assurance face increasingly uncertainties arising from headwinds in the UK's referendum decision to leave the European Union as and an increasing interest rate environment and downward pressures on the global economy.

The Group has been able to expand its customer base geographically and has successfully developed relationships with several new customers.

With the completion of acquisition of the premises in Kwai Chung in October 2018 for the purpose of setting up a new 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.

Together with the enhancement of the future coming online showroom, design selection process by customers will be speeded up and more online retailers being attracted worldwide.

The Company has submitted a formal application to the Stock Exchange in late September 2018 for the Proposed Transfer of Listing from GEM to the Main Board. The Board believes that, if materialised, the listing of the Shares on the Main Board will further enhance the profile of the Group, strengthen its recognition among public investors and customers and be beneficial to the financing flexibility and future business development of the Group.

The Directors and the Group do not anticipate there will be any material adverse change to the purchase orders to be placed with us, nor will there be any changes to our business relationship with its major customers in the near future.

# OTHER INFORMATION

## DIRECTORS' AND CHIEF EXECUTIVE'S 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 January 2019, the interests and short positions of the Directors and the chief executive 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.

## DIRECTORS' AND CHIEF EXECUTIVE'S 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 (CONTINUED)

Save as disclosed above, as at 31 January 2019, none of the Directors nor chief executive of the Company has registered any interests or 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.

## DIRECTORS' AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the nine months ended 31 January 2019 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of Shares in or debentures of the Company or any other body corporate.

## 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 January 2019, 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 *(Note 1)* | Beneficial owner | 24,000,000 (L) *(Note 2)* | 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 January 2019, 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.

# OTHER INFORMATION

## 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 nine months ended 31 January 2019.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Director's securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made a specific enquiry by the Company, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions throughout the nine months ended 31 January 2019.

## 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 nine months ended 31 January 2019 or at any time during the nine months ended 31 January 2019, nor was there any transaction, arrangement 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 nine months ended 31 January 2019. 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 nine months ended 31 January 2019 and up to the date of this report, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) was considered to have any interests in a business which competed or was likely to complete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

# OTHER INFORMATION

## 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 January 2019. 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 is based on the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. The Company is committed to ensure a quality board and transparency and accountability to the Shareholders. The code provision A.2.1 of the CG Code 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 nine months ended 31 January 2019, save for the code provision A.2.1.

## EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Group after the nine months ended 31 January 2019 and up to the date of this report.

## DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 31 January 2019 (nine months ended 31 January 2018: nil).

# OTHER INFORMATION

## INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Anglo Chinese Corporate Finance, Limited (the "Compliance Adviser"), as at 31 January 2019, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 18 July 2016, the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## AUDIT AND RISK MANAGEMENT COMMITTEE

The Company set up an audit and risk management committee (the "Audit and Risk Management Committee") on 21 February 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The duties of the Audit and Risk Management Committee are to review relationship with the Company's external auditors, review the Company's financial information, oversee the Company's financial reporting system and internal control procedures and oversee the Company's continuing connected transactions. The Audit and Risk Management Committee comprises all three independent non-executive Directors, namely Mr. Lai Kwok Hung, Alex, who is the chairman of the Audit and Risk Management Committee, Mr. Yeung Chuen Chow, Thomas and Mr. Cüneyt Bülent Bilâloğlu. The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 January 2019 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, Chief Executive Officer and Executive Director*

Hong Kong, 11 March 2019

*As at the date of this report, 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.*