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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 2019

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 2019 (the “**Year**”) 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 2019

	<i>NOTES</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	4	204,383	192,515
Cost of sales and services		<u>(153,751)</u>	<u>(142,264)</u>
Gross profit		50,632	50,251
Other income		552	660
Other losses		(2,726)	(433)
Provision for impairment loss recognised on trade receivables, net of reversal		1,435	(1,222)
Administrative expenses		(10,135)	(9,780)
Selling and distribution expenses		(9,280)	(9,689)
Finance costs		(7)	(368)
Professional fee in relation to transfer of listing		<u>(5,922)</u>	<u>–</u>
Profit before tax		24,549	29,419
Income tax expense	5	<u>(6,228)</u>	<u>(5,868)</u>
Profit for the year		<u>18,321</u>	<u>23,551</u>
Other comprehensive (expense) income for the year			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(681)</u>	<u>641</u>
Other comprehensive (expense) income for the year		<u>(681)</u>	<u>641</u>
Total comprehensive income for the year		<u>17,640</u>	<u>24,192</u>
Earnings per share			
– basic (Hong Kong dollars)	7	<u>0.57</u>	<u>0.74</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2019

		2019	2018
	NOTES	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		18,422	3,699
Intangible assets		801	–
Deposit paid for acquisition of an intangible asset		2,000	–
Deposit paid for renovation of a leasehold property		3,450	–
Deferred tax assets		55	–
		<u>24,728</u>	<u>3,699</u>
Current assets			
Inventories		2,993	1,995
Trade, bills and other receivables	8	73,397	50,632
Bank balances and cash		44,159	62,658
		<u>120,549</u>	<u>115,285</u>
Current liabilities			
Contract liabilities	9	632	–
Trade and other payables	9	27,900	18,387
Obligation under a finance lease		30	358
Tax payables		6,962	5,581
		<u>35,524</u>	<u>24,326</u>
Net current assets		<u>85,025</u>	<u>90,959</u>
Total assets less current liabilities		<u>109,753</u>	<u>94,658</u>

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Obligation under a finance lease	–	30
Deferred tax liabilities	–	46
	<u>–</u>	<u>76</u>
Net assets	<u>109,753</u>	<u>94,582</u>
Capital and reserves		
Share capital	320	320
Reserves	<u>109,433</u>	<u>94,262</u>
Total equity	<u>109,753</u>	<u>94,582</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2019

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> <i>(Note)</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 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	320	39,201	65	641	54,355	94,582
Change in accounting policies <i>(Note 3)</i>	–	–	–	–	(2,469)	(2,469)
Restated at 1 May 2018	320	39,201	65	641	51,886	92,113
Profit and total comprehensive income for the year	–	–	–	(681)	18,321	17,640
Transfer to statutory reserve	–	–	341	–	(341)	–
At 30 April 2019	<u>320</u>	<u>39,201</u>	<u>406</u>	<u>(40)</u>	<u>69,866</u>	<u>109,753</u>

Note: 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 tax, 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.

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 have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

In the opinion of the directors, the immediate and ultimate holding company is JC Fashion International Group Limited which was incorporated in the British Virgin Islands (“**BVI**”).

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 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 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 consolidation financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange. The consolidated financial statements have been prepared under the historical cost convention.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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 <i>Insurance Contracts</i>
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 HKFRS 15 *Revenue from Contracts with Customers*

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

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 (or other components of equity, as appropriate) 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.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Supply of apparel products
- Consultation Services

Information about the Group's performance obligations resulting from application of HKFRS 15 are disclosed in note 4.

Summary of effects arising from initial application of HKFRS 15

The following reclassification adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 May 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 30 April 2018 <i>HK\$'000</i>	Reclassification <i>HK\$'000</i>	Carrying amounts under HKFRS 15 at 1 May 2018 <i>HK\$'000</i>
Trade and other payables	18,387	(72)	18,315
Contract liabilities	<u>–</u>	<u>72</u>	<u>72</u>

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 consolidated statement of financial position and consolidated statement of cash flows as at 30 April 2019 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported <i>HK\$'000</i>	Adjustments (<i>Note</i>) <i>HK\$'000</i>	Amounts without application of HKFRS 15 <i>HK\$'000</i>
Trade and other payables	27,900	632	28,532
Contract liabilities	<u>632</u>	<u>(632)</u>	<u>–</u>

Impact on the consolidated statement of cash flows

	As reported	Adjustments (Note)	Amounts without application of HKFRS 15
	HK\$'000	HK\$'000	HK\$'000
Increase in trade and other payables	8,892	560	9,452
Increase in contract liabilities	<u>560</u>	<u>(560)</u>	<u>–</u>

Note: The adjustments shown above related to the balances presented as contract liabilities under HKFRS 15 but would have been stated as trade and other payables when HKFRS 15 is not applied.

3.2 HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* 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 classification and measurement requirements (including impairment under ECL model) 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 and other components of equity, 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*.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the measurement of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 May 2018.

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 the current year, 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 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.

At 1 May 2018, the additional credit loss allowance of HK\$2,876,000 and deferred tax assets of HK\$407,000 have been recognised against retained profits. The additional loss allowance is charged against the trade receivables. All loss allowance for trade receivables as at 30 April 2018 reconcile to the opening loss allowance as at 1 May 2018 is as follows:

	Loss allowance for trade receivables <i>HK\$'000</i>
At 30 April 2018 – HKAS 39	–
Amounts remeasured through opening retained profits	<u>(2,876)</u>
At 1 May 2018	<u>(2,876)</u>

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

	30 April 2018 (originally stated) <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	1 May 2018 (restated) <i>HK\$'000</i>
Trade, bills and other receivables	50,632	(2,876)	47,756
Deferred tax assets	–	407	407
Retained profits	<u>54,355</u>	<u>(2,469)</u>	<u>51,886</u>

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ³
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁵
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹

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

² Effective for annual periods beginning on or after a date to be determined

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

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2020

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 30 April 2019, the Group has non-cancellable operating lease commitments of HK\$2,828,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK\$153,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The Group elects the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group does not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group elects the modified retrospective approach for the application of HKFRS 16 as lessee and recognises the cumulative effect of initial application to opening retained profits without restating comparative information.

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 makers (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 six customers ASOS.com Limited (“ASOS”), Lost Ink Ltd, zLabels GmbH (“Zalando”), Customer 1, Customer 2 and Customer 3 (2018: five customers namely ASOS, Lost Ink Ltd, Zalando, Forever 21, Inc 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 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 2019

	Online Fashion Retailers HK\$'000	Fashion Retailers HK\$'000	Subtotal HK\$'000	Consultation Services HK\$'000	Consolidated HK\$'000
Segment revenue					
Womenswear	84,046	95,986	180,032	–	180,032
Childrenswear	301	19,419	19,720	–	19,720
Menswear	92	–	92	–	92
Consultation services	–	–	–	4,539	4,539
	<u>84,439</u>	<u>115,405</u>	<u>199,844</u>	<u>4,539</u>	<u>204,383</u>
Segment profit	<u>16,486</u>	<u>16,629</u>	<u>33,115</u>	<u>3,329</u>	<u>36,444</u>
Unallocated income					552
Unallocated gains					395
Unallocated expenses					(6,913)
Unallocated finance costs					(7)
Professional fee in relation to transfer of listing					<u>(5,922)</u>
Profit before tax					<u>24,549</u>

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, net					(550)
Unallocated expenses					(11,976)
Unallocated finance costs					<u>(18)</u>
Profit before tax					<u>29,419</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, professional fee in relation to transfer of listing, 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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At a point in time:		
Womenswear:		
Online Fashion Retailers	84,046	84,648
Fashion Retailers	95,986	74,764
	180,032	159,412
Childrenswear:		
Online Fashion Retailers	301	1,303
Fashion Retailers	19,419	28,900
	19,720	30,203
Menswear:		
Online Fashion Retailers	92	–
Subtotal for the supply of apparel products	199,844	189,615
Over time:		
Consultation services	4,539	2,900
	204,383	192,515

Revenue from the supply of apparel products is recognised at a point in time. Revenue from the supply of apparel products is recognised when control of the goods has transferred, being when the goods have been shipped to the designated location (delivery) and the control has passed to the customers.

Revenue from consultation services is recognised over time using the output method. The customers simultaneously receive and consume the benefits when the service is provided throughout the period.

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 where the customers received the goods and provision of services is detailed below:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue from external customers		
United Kingdom	109,313	152,839
PRC	36,886	122
Germany	30,391	28,170
United States of America ("US")	16,088	498
Hong Kong	7,657	2,959
Ireland	2,517	3,720
Singapore	262	1,144
Spain	11	2,453
Others	1,258	610
	<u>204,383</u>	<u>192,515</u>

The following is an analysis of the carrying amounts of the Group's non-current assets (including property, plant and equipment, intangible assets, deposit paid for acquisition of an intangible asset and deposit paid for renovation of a leasehold property), analysed by the geographical area in which the assets are located:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong	23,912	2,695
PRC	761	1,004
	<u>24,673</u>	<u>3,699</u>

Information about major customers

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

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A ¹	76,949	77,876
Customer B ²	41,503	56,635
Customer C ³	<u>36,886</u>	<u>N/A</u>

¹ Revenue generated from an Online Fashion Retailer for the supply of womenswear and menswear.

² Revenue generated from a Fashion Retailer for the supply of womenswear and childrenswear.

³ Revenue generated from a Fashion Retailer for the supply of womenswear that did not contribute 10% of the total revenue of the Group for the year ended 30 April 2018.

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 30 April 2019 and the expected timing of recognising revenue are as follows:

	Consultancy Services <i>HK\$'000</i>
Within one year	1,200
More than one year but not more than two years	<u>400</u>
	<u>1,600</u>

Contracts for consultancy services typically have a 2-year non-cancellable term in which the Group bills a fixed amount for each month of service provided.

5. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	5,098	5,727
PRC Enterprise Income Tax (the “EIT”)	905	81
	6,003	5,808
Overprovision in prior years:		
Hong Kong	(81)	–
	5,922	5,808
Deferred tax expense	306	60
	6,228	5,868

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 the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before tax	<u>24,549</u>	<u>29,419</u>
Tax at Hong Kong Profits Tax rate of 16.5%	4,051	4,854
Tax effect of expenses not deductible for tax purpose	2,124	811
Tax effect of tax losses not recognised	50	243
Tax effect of different rate of subsidiaries operating in other jurisdictions	290	62
Income tax at concessionary rate	(165)	–
Overprovision in prior years	(81)	–
Others	<u>(41)</u>	<u>(102)</u>
Income tax expense	<u>6,228</u>	<u>5,868</u>

6. DIVIDEND

No dividend was paid or proposed for the ordinary shareholders of the Company during the year ended 30 April 2019 (2018: 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year)	<u>18,321</u>	<u>23,551</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>32,000</u>	<u>32,000</u>

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

8. TRADE, BILLS AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables	57,100	39,386
Less: allowance for credit losses	<u>(1,441)</u>	<u>–</u>
	55,659	39,386
Bills receivables	<u>–</u>	<u>799</u>
	55,659	40,185
Other receivables		
– Deposits and prepayments	15,073	10,341
– Prepayment for professional fee in relation to transfer of listing	2,325	–
– Deposit paid for acquisition of an intangible asset	2,000	–
– Deposit paid for renovation of a leasehold property	3,450	–
– Others	<u>340</u>	<u>106</u>
	23,188	10,447
Total trade, bills and other receivables	<u>78,847</u>	<u>50,632</u>
Analysis for reporting purpose as		
Non-current assets	5,450	–
Current assets	<u>73,397</u>	<u>50,632</u>
	<u>78,847</u>	<u>50,632</u>

For customers with good credit quality and payment history, the Group allows credit periods of no longer than 90 days (2018: 90 days). For other customers, the Group requests an advance deposit payment and demands for full settlement upon delivery of the goods.

As at 30 April 2019 and 1 May 2018, trade receivables from contracts with customers amounted to HK\$57,100,000 and HK\$39,386,000, respectively.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 60 days	34,947	32,018
61 to 180 days	14,926	8,000
181 to 365 days	5,416	151
Over 365 days	370	16
	<hr/> 55,659	<hr/> 40,185

Included in the Group's trade receivables balance are debtors with aggregate carrying amounts of approximately HK\$25,603,000 (2018: HK\$7,800,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at 30 April 2019, the Group has HK\$11,896,000 of trade receivables past due over 90 days but not impaired. The Group does not consider such balances are defaulted due to long and on-going business relationship, good repayment record, good credit quality and forward looking information of these customers.

As at 30 April 2018, the trade receivables that are past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Age of receivables that are past due but not impaired

	2018 <i>HK\$'000</i>
Overdue by:	
1 to 60 days	7,225
61 to 180 days	432
181 to 365 days	128
Over 365 days	15
	<hr/> 7,800

Movement in the allowance for doubtful debts

	2018 <i>HK\$'000</i>
Balance at the beginning of the year	259
Impairment losses recognised	1,222
Amounts written off as uncollectible	<u>(1,481)</u>
Balance at the end of the year	<u>–</u>

For the year ended 30 April 2018, the Group has written off trade receivables with an aggregate balance of HK\$1,481,000 during the year as the counterparties are in liquidation process and management assessed these balances are not recoverable. Based on the management of the Company's assessment, these overdue balances were considered not recoverable. The Group does not hold any collateral over these balances.

Trade and other receivables that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
HK\$	3,030	3,311
Great British Pound (“GBP”)	<u>1,708</u>	<u>3,698</u>

9. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables	23,513	13,482
Other payables	1,999	2,503
Deposits received from customers	–	33
Receipts in advance from customers	–	39
Accrued expenses	<u>2,388</u>	<u>2,330</u>
Total trade and other payables	<u>27,900</u>	<u>18,387</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 the reporting period.

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 60 days	18,957	11,409
61 to 180 days	3,713	1,427
181 to 365 days	657	619
Over 365 days	186	27
	<u>23,513</u>	<u>13,482</u>

Trade and other payables that are denominated in foreign currencies, currencies other than the functional currencies of relevant group entities:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
HK\$	<u>6,401</u>	<u>6,737</u>

The following is the analysis of contract liabilities.

	30 April 2019 <i>HK\$'000</i>	1 May 2018* <i>HK\$'000</i>
Receipt in advance for apparel products contracts	<u>632</u>	<u>72</u>

* The amount in this column is after the adjustments upon application of HKFRS 15 (details as set out in note 3).

Contract liabilities represent deposits received and receipt in advance from customers for apparel contracts. Contract liabilities as at the end of each reporting period are recognised as revenue in the subsequent year.

When the Group receives a deposit before the production activity commences, this gives rise to contract liabilities at the start of production until the revenue recognised when the customer obtains the control of the apparel products. The Group typically receives 30% deposit on acceptance of customers' order.

10. PLEDGE OF ASSETS

At 30 April 2019, 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\$533,000 (2018: HK\$754,000).

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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Rental expenses to a related company ¹	62	54
Rental expenses to a related party ²	<u>337</u>	<u>287</u>

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) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Salaries and allowances	2,323	2,135
Retirement benefit schemes contributions	<u>79</u>	<u>86</u>
	<u>2,402</u>	<u>2,221</u>

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 Year 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 branded fashion retailers and wholesalers

The Group's revenue from this segment increased by 5.4% to approximately HK\$199.9 million for the Year from approximately HK\$189.6 million for the year ended 30 April 2018. Such increases were mainly due to the sales generated from two new major 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 revenue of approximately HK\$4.5 million during the Year as compared to approximately HK\$2.9 million for the year ended 30 April 2018, representing an increase of approximately 55.2%. 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 21 March 2017 (the "**Listing Date**"), the ordinary shares of the Company (the "**Shares**") were successfully listed on GEM by way of public offer and placing (the "**Share Offer**"). After deducting all the relevant commission and expenses borne by the Company, there are approximately HK\$44.4 million of actual net proceeds from the Share Offer. The Group 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 6.2% to approximately HK\$204.4 million for the Year from approximately HK\$192.5 million for the year ended 30 April 2018. Such an increase in the Group's revenue was mainly due to the sales generated from two new major customers and the increase in quantity of sales orders from existing customers.

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 8.1% to approximately HK\$153.8 million for the Year as compared to HK\$142.3 million for the year ended 30 April 2018. The cost of sales and services increased along with the growth in revenue for the Year.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$50.6 million for the Year from approximately HK\$50.3 million for the year ended 30 April 2018, representing an increase of approximately 0.6%. The Group's gross profit margin was approximately 24.8% for the Year and approximately 26.1% for the year ended 30 April 2018. The decrease in gross profit margin was mainly due to the sales made to a US customer and a PRC customer have lower gross profit margin as the Group offered competitive pricing for these two new major customers which diluted the effect of sales to other customers with higher gross profit margin by providing fabric supply by Group to two of its approved suppliers.

Other losses

The Group recorded other losses of approximately HK\$2.7 million for the Year, as compared to other losses of approximately HK\$0.4 million for the year ended 30 April 2018, representing an increase of approximately 575.0%. Such an increase was mainly due to the foreign exchange losses on depreciation of GBP for the Year.

Provision for impairment loss recognised on trade receivables, net of reversal

The Group recorded a reversal of impairment loss recognised on trade receivables of approximately HK\$1.4 million for the Year from recording a provision for impairment loss recognised on trade receivables of approximately HK\$1.2 million for the year ended 30 April 2018. The change was mainly due to the change of credit risk exposures of the Group's trade receivables.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, operating lease rentals mainly for office, entertainment expenses, travelling expenses, depreciation of property and equipment, legal and professional fees and other miscellaneous general and administrative expenses. Administrative expenses increased to approximately HK\$10.1 million for the Year from approximately HK\$9.8 million for the year ended 30 April 2018, representing an increase of approximately 3.1%. The increase was mainly due to the increase of depreciation expenses as a result of a premise being acquired in October 2018 for the purpose of setting up a new showroom.

Selling and distribution expenses

The Group's selling and distribution expenses decreased to approximately HK\$9.3 million for the Year from approximately HK\$9.7 million for the year ended 30 April 2018, representing a decrease of approximately 4.1%. The decrease was mainly due to the decrease in staff salaries as the Group recruited sourcing staff in the PRC which offered a competitive salary range.

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\$17.6 million for the Year from approximately HK\$24.2 million for the year ended 30 April 2018, representing a decrease of approximately 27.3%. Such a decrease was mainly attributable to the presence of professional fee in relation to transfer of listing and the increase in foreign exchange losses as compared to the year ended 30 April 2018.

Basic earnings per Share

The Company's basic earnings per Share for the Year was approximately HK\$0.57 (30 April 2018: HK\$0.74), representing a decrease of approximately HK\$0.17, or approximately 23.0%, which was in line with the increase in profit attributable to owners of the Company for the Year, as compared to that for the year ended 30 April 2018.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group mainly financed its operations with its own working capital. As at 30 April 2019 and 2018, the Group had net current assets of approximately HK\$85.0 million and HK\$91.0 million, respectively, which include bank balances and cash of approximately HK\$44.2 million and HK\$62.7 million, respectively. The Group's current ratio (that is, current assets divided by current liabilities) decreased from approximately 4.7 as at 30 April 2018 to approximately 3.4 as at 30 April 2019. Such a decrease was mainly because (i) the increase in trade and other payables as at 30 April 2019; and (ii) the large decrease in bank balances and cash for 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 0.0003 as at 30 April 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 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 United Kingdom (the "UK"). The Group's operating lease commitments amounted to approximately HK\$2.8 million and HK\$3.9 million as at 30 April 2019 and 2018, respectively. As at 30 April 2019, the Group had capital commitments contracted for but not provided in audited consolidated financial statements amounted to approximately HK\$1.7 million (As at 30 April 2018, the Group did not have any significant capital commitments). Such commitments related to capital expenditure in respect of the renovation of a leasehold property and acquisition of intangible assets of the Group.

CAPITAL STRUCTURE

As at 30 April 2019 and 2018, 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 2019 and 2018, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 30 April 2019

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 2019 and 2018.

FOREIGN EXCHANGE EXPOSURE

As at 30 April 2019 and 2018, 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 has set up a comprehensive foreign currency risk management policy that the Group may adopt to manage the risk 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 30 April 2019, 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\$0.5 million (30 April 2018: HK\$0.8 million).

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were 44 and 42 as at 30 April 2019 and 2018, respectively. The Group expanded its operation in the PRC since August 2017 with 26 and 30 PRC employees as at 30 April 2019 and 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 2019 and 2018, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$7.0 million and HK\$7.0 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.

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, there was no material dispute or disagreement between the Group and its suppliers.

COMPARISON OF BUSINESS STRATEGICS WITH ACTUAL BUSINESS PROGRESS

The following sets out a comparison of the business strategies as stated in the Prospectus with the Group's actual business progress for the Year and up to the date of this announcement.

Business strategies as stated in the Prospectus	Actual business progress up to the date of this announcement
Further strengthening the relationships with the Group's existing customers and developing relationships with new customers	– Acquired a premises in October 2018 for setting up a flagship showroom in Hong Kong of approximately HK\$15.5 million
	– Online platform expects to be implemented in late 2019
	– Recruited an assistant general manager in October 2018
	– Recruited one brand director in May 2019

Business strategies as stated in the Prospectus	Actual business progress up to the date of this announcement
Further strengthening the design and development capabilities of the Group to enhance its business model	<ul style="list-style-type: none"> – Recruited four designers in UK (one resigned) – Acquired an intangible asset in April 2019 for rights to trademark for strengthen the design capability
Expanding the geographical base of the third-party suppliers and diversifying the supplier base	<ul style="list-style-type: none"> – Established two PRC subsidiaries as sourcing offices in the PRC
Widening product offerings of the Group	<ul style="list-style-type: none"> – Received the first order for menswear apparel products in 2019
Enhancing the Group’s corporate image to attract customer attention	<ul style="list-style-type: none"> – Planning to participate in trade shows to be held in the UK and Europe to approach potential customers in the second and third quarters of the year ending 30 April 2020

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 2019 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 2019 HK\$'000	Actual usage of the Actual Net Proceeds as at 30 April 2019 HK\$'000	Under-utilised/ (Over-utilised) Actual Net Proceeds as at 30 April 2019 HK\$'000	Reason of under-utilised/ (over-utilised) the relevant Actual Net Proceeds as at 30 April 2019
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	15,544	807	Acquired a premise with smaller in size and value as planned
• Decoration of the newly acquired premises in Hong Kong	3,161	3,161	3,161	-	N/A
• Building an online platform with the assistance from external technology advisor	3,270	3,270	2,160	1,110	Postponed implementation of first phrase of online platform results in delay in the start of second phrase
• Frequently visiting our existing customers to strengthen our business relationship	1,308	872	419	453	Customers visited the showroom in Hong Kong and the existing customers will be visited concurrently with participating trade shows during the year ending 30 April 2020
• Frequently participating in global sales conference to strengthen our business relationship with potential customers	1,308	872	-	872	Identified suitable fashion trade shows in second and third quarters of the year ending 30 April 2020
• Recruitment of one sales manager in Hong Kong	1,324	866	326	540	Recruited an assistant general manager in October 2018, several months delayed as planned
• Recruitment of one sales executive in the UK	742	480	742	(262)	Extra costs incurred on identified candidate
Further strengthening our design and development capabilities to enhance our business model	4,703	3,065	1,649	1,416	Not yet identified a suitable candidate with planned budget
Expanding the geographical base of the third-party suppliers and diversifying our supplier base	5,191	3,591	3,719	(128)	Extra costs incurred on establishment of PRC subsidiaries
Enhancing our corporate image to attract customer attention	2,662	1,776	5	1,771	Identified suitable fashion trade shows in second and third quarters of the year ending 30 April 2020
General working capital	4,392	4,392	4,392	-	N/A
Total	<u>44,412</u>	<u>38,696</u>	<u>32,117</u>	<u>6,579</u>	

Reference is made to the update on the use of proceeds on the Group's 2018 interim report. As at 31 October 2018, the Group has utilised approximately HK\$27.0 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. The Group keeps on optimizing the showroom in the UK to respond quickly to customers' demand and display more in-house designed collections. To create more business opportunities and strengthen the corporate image by giving more confidence to the customers, the Group has acquired 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. The upcoming online showroom will display 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, the Group expects to capture the fast growing trend in the US 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 keeps on strengthening the Group's sourcing and quality assurance ability, and to source new suppliers in different geographical areas, like Cambodia, 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 geographical 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. 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.

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 2019, 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 SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of Director	Nature of interest	Number of Shares held	Percentage of shareholding in the Company's issued share capital
Mr. Charles Choi (<i>Note 1</i>)	Interest in controlled corporation	24,000,000(L) (<i>Note 2</i>)	75%

Note:

1. Mr. Charles Choi directly owns 100% of JC Fashion International Group Limited (“**JC International**”), which in turn holds 75% of the issued share capital of the Company. Mr. Charles Choi is deemed, or taken to be interested in, all the Shares held by JC International for the purpose of the SFO.
2. The letter “L” denotes the person’s long position in the Shares.

Save as disclosed above, as at 30 April 2019, 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 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 of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Nature of interests	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%

Note:

1. Mr. Charles Choi directly owns 100% of JC International, which in turn holds 75% of the issued share capital of the Company. Mr. Charles Choi is deemed, or taken to be interested in, all the Shares held by JC International for the purpose of the SFO.
2. The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at 30 April 2019, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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

Save for the listing of the Shares on GEM on the Listing Date, the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 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 had complied with the required standard of dealings and code of conduct regarding securities transactions throughout the period from the Listing Date to the date of this announcement.

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 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 year ended 30 April 2019 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

Each of the covenants of the deed of non-competition dated 21 February 2017 (“**Non-Competition Undertakings**”), Mr Charles Choi and JC International (“**Covenants**”), has made annual declarations to the Company that during the years ended 30 April 2018 and 30 April 2019, they have complied with the terms of the Non-Competition Undertakings. Details of the Non-Competition Undertakings are set out in the section headed “Relationship with the Controlling Shareholders” of the Prospectus.

The independent non-executive Directors have reviewed the status of compliance by each of the Covenants with the undertakings in the Non-Competition Undertakings and as far as the independent non-executive Directors can ascertain, the undertakings have been fully complied with and enforced during the years ended 30 April 2018 and 30 April 2019. The executive Directors and the independent non-executive Directors also confirm 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 Group.

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 2019, 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 2019 and up to the date of this announcement.

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 30 April 2019 (30 April 2018: 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 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 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 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, Executive Director,
and Chief Executive Officer

Hong Kong, 24 July 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.