SG Group Holdings Limited
樺欣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8442)

ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 JULY 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 ended 31 July 2019. This announcement, containing the full text of the first quarterly report for the three months ended 31 July 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 first quarterly results.

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

Hong Kong, 6 September 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 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 GEM website at **www.hkgem.com** on the "Latest Listed Company Information" page for at least seven days from the date of its posting and on the website of the Company at **www.jcfash.com**.*

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

FOR THE THREE MONTHS ENDED 31 JULY 2019

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 ended 31 July 2019 ("Reporting Period") together with the comparative unaudited figures for the three months ended 31 July 2018 are set out as follows:

		Three months ended 31 July	
	NOTES	**2019** **HK$'000** **(unaudited)**	2018 HK$'000 (unaudited)
Revenue	4	**69,029**	41,567
Cost of sales and services		**(52,499)**	(30,460)
Gross profit		**16,530**	11,107
Other income		**336**	361
Other losses, net		**(2,075)**	(1,625)
Provision for impairment loss recognised on trade receivables, net of reversal		**44**	–
Administrative expenses		**(3,535)**	(2,490)
Selling and distribution expenses		**(4,155)**	(2,440)
Finance costs		**(29)**	(107)
Professional fee in relation to transfer of listing		**(1,707)**	(2,397)
Profit before taxation		**5,409**	2,409
Income tax expenses	5	**(1,330)**	(1,028)
Profit for the period		**4,079**	1,381
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(878)**	(930)
Other comprehensive expense for the period		**(878)**	(930)
Total comprehensive income for the period		**3,201**	451
Earnings per share			
– basic (Hong Kong dollars)	7	**0.13**	0.04

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 JULY 2019

	Share capital HK$'000	Share premium HK$'000	Statutory reserve HK$'000 (Note)	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 May 2018 (audited)	320	39,201	65	641	54,355	94,582
Profit and total comprehensive income for the period	–	–	–	(930)	1,381	451
At 31 July 2018 (unaudited)	320	39,201	65	(289)	55,736	95,033
At 1 May 2019 (audited)	**320**	**39,201**	**406**	**(40)**	**69,866**	**109,753**
Change in accounting policies (Note 3)	**–**	**–**	**–**	**–**	**(61)**	**(61)**
Restated total equity at 1 May 2019	**320**	**39,201**	**406**	**(40)**	**69,805**	**109,692**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**(878)**	**4,079**	**3,201**
At 31 July 2019 (unaudited)	**320**	**39,201**	**406**	**(918)**	**73,884**	**112,893**

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 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.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

SG Group Holdings Limited (the "Company") was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 October 2015. The ordinary shares of the Company (the "Shares") have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "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 Group is principally engaged in the supply of apparel products with designing and sourcing services to fashion retailers and wholesalers, and the 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

The unaudited condensed consolidated financial statements for the three months ended 31 July 2019 (the "First 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 Hong Kong Companies Ordinance (Cap.622 of the Laws of Hong Kong). Besides, the First Quarterly Financial Statements include applicable disclosures required by the GEM Listing Rules. The First 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 First 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 First 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. SIGNIFICANT 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 HKFRSs, the accounting policies and methods of computation used in the First 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 2019.

Application of new and amendments to HKFRSs

In the current period, the Group has applied all new and amendments to HKASs and HKFRSs issued by the HKICPA that are mandatorily effective for the accounting period beginning on or after 1 January 2019.

Except as described below, the adoption of the new and revised HKFRSs that are relevant to the Group and effective from 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.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees which superseded HKAS 17 "Leases" and the related interpretations.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

HKFRS 16 Leases (Continued)

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 modification, amongst others.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

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 and liabilities depending on whether the Group presents right-of-use assets and lease liabilities separately or within the same line item at which the corresponding underlying assets or liabilities would be presented if they were owned.

A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding lease liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as lease 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 has opted 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.

The Group has not early adopted the new and amendments to HKFRSs that have been issued but are not yet effective.

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 July	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
At a point in time:		
Womenswear	**64,812**	33,377
Childrenswear	**3,617**	7,090
Subtotal for the supply of apparel products	**68,429**	40,467
Overtime:		
Consultation services	**600**	1,100
	69,029	41,567

4. REVENUE (CONTINUED)

Geographical information

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

	Three months ended 31 July	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Revenue from external customers		
United States of America (the "US")	**34,673**	157
United Kingdom (the "UK")	**23,620**	30,527
Germany	**8,905**	9,399
PRC	**882**	–
Hong Kong	**600**	1,116
Ireland	**349**	210
Others	**–**	158
	69,029	41,567

5. INCOME TAX EXPENSES

	Three months ended 31 July	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	**1,330**	1,019
PRC Enterprise Income Tax ("EIT")	**–**	9
	1,330	1,028

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

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

6. DIVIDEND

No dividend was paid or proposed for the ordinary shareholders of the Company for the Reporting Period (three months ended 31 July 2018: Nil).

7. EARNINGS PER SHARE

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

	Three months ended 31 July	
	2019	2018
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period)	**4,079**	1,381
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**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 Reporting Period was derived from the supply of apparel products to online fashion retailers, fashion retailers and the provision of consultation services.

Supply of apparel products to branded fashion retailers and wholesalers

For the Reporting Period, the Group recorded an increase in revenue of supply of apparel products as compared with those for the three months ended 31 July 2018. Such increase was mainly attributable to the sales generated from a new US customer. 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 strive for a growth in revenue.

Consultation services

The Group engaged its business in the provision of consultation services which generated revenue of approximately HK$0.6 million during the Reporting Period. As compared to approximately HK$1.1 million for the three months ended 31 July 2018, representing a decrease of approximately 45.5% due to the absence of a non-recurring factory audit from a customer during the Reporting Period. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased to approximately HK$69.0 million for the Reporting Period from approximately HK$41.6 million for the three months ended 31 July 2018, representing an increase of approximately 65.9%. Such increase in the Group's revenue was mainly attributable to the sales generated from a new US customer.

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$52.5 million for the Reporting Period from approximately HK$30.5 million for the three months ended 31 July 2018, representing an increase of approximately 72.1%. The Group's cost of sales and services increased in line with the growth of sales of supply of apparel products during the Reporting Period.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK$16.5 million for the Reporting Period from approximately HK$11.1 million for the three months ended 31 July 2018, representing an increase of approximately 48.6%. The Group's gross profit margin was approximately 23.9% for the Reporting Period and approximately 26.7% for the three months ended 31 July 2018. The increase in gross profit was mainly attributable to the sales to a new US customer at a competitive pricing, while the decrease in gross profit margin was mainly attributable to the sales to a new US customer which lowered the gross profit margin as the Group offered it at a competitive pricing in order to tap into the US market and maintain long term customer relationship.

FINANCIAL REVIEW (CONTINUED)

Other losses, net

The Group recorded other losses of approximately HK$2.1 million for the Reporting Period, as compared to other losses of approximately HK$1.6 million for the three months ended 31 July 2018. Such losses were mainly due to foreign exchange loss as a result of the depreciation of Great British Pound ("GBP") as the Group had converted a significant amount of bank deposits denominated in GBP to HK$ during the Reporting Period. The Group is in the process of setting 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.

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$44,000 for the Reporting Period which was mainly due to the change of credit risk exposures of the Group's trade receivables for the Reporting Period.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, 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$3.5 million for the Reporting Period from approximately HK$2.5 million for the three months ended 31 July 2018, representing an increase of approximately 40.0%. The increase in the Group's administrative expenses was mainly related to the increase of staff salaries and depreciation expenses for the Reporting Period.

Selling and distribution expenses

The Group's selling and distribution expenses increased to approximately HK$4.2 million for the Reporting Period from approximately HK$2.4 million for the three months ended 31 July 2018, representing an increase of approximately 75.0%. The increase in the Group's selling and distribution expenses was mainly due to the increase in agency fee in relation to the sales to a new US customer and staff salaries for the Reporting Period.

FINANCIAL REVIEW (CONTINUED)

Profit and total comprehensive income

Profit and total comprehensive income increased to approximately HK$3.2 million for the Reporting Period from approximately HK$0.5 million for the three months ended 31 July 2018. Such increase was mainly attributable to the increase on revenue and gross profit abovementioned, the increase in administrative expenses of approximately HK$1.0 million and the increase in selling and distribution expenses of approximately HK$1.8 million during the Reporting Period.

Basic earnings per share

The Company's basic earnings per share for the Reporting Period increased to approximately HK$0.13 from approximately HK$0.04 for the three months ended 31 July 2018, representing an increase of approximately HK$0.09, or approximately 225.0%. Such increase was in line with the growth in the profit for the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group mainly financed its operations with its own working capital. As at 31 July 2019 and 30 April 2019, the Group had net current assets of approximately HK$87.2 million and HK$85.0 million respectively, including bank balances and cash of approximately HK$35.1 million and HK$44.2 million, respectively. The Group's current ratio (that is, total current assets divided by total current liabilities) increased from approximately 3.4 as at 30 April 2019 to approximately 3.7 as at 31 July 2019. Such increase was mainly due to the slight decrease in trade and other payable as at 31 July 2019.

Gearing ratio is calculated by dividing total debts by total equity as at the end of the Reporting Period. The total debts include obligations under finance lease and lease liabilities. The Group's gearing ratio was 0.03 as at 31 July 2019 (30 April 2019: 0.0003).

MANAGEMENT DISCUSSION AND ANALYSIS

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 had unpaid capital commitments amounted to HK$1.7 million as at 31 July 2019 and 30 April 2019. Such commitments related to capital expenditure in respect of the renovation of a leasehold property and acquisition of an intangible asset of the Group.

CAPITAL STRUCTURE

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

As at 31 July 2019 and 30 April 2019, the Company's issued share capital was HK$320,000 divided into 32,000,000 Shares of HK$0.01 each.

SIGNIFICANT INVESTMENTS

As at 31 July 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 Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 July 2019 and 2018.

FOREIGN EXCHANGE EXPOSURE

During the three months ended 31 July 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 is in the process of setting 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 July 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$0.5 million (30 April 2019: HK$0.5 million).

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were 50 and 45 as at 31 July 2019 and 2018, respectively. The Group's employee benefit expenses mainly included salaries, wages, other staff benefits and contributions to retirement schemes. For the three months ended 31 July 2019 and 2018, the Group's total employee benefit expenses (including the Directors' emoluments) amounted to approximately HK$2.8 million and HK$1.5 million, respectively. The increase in the Group's employee benefit expenses was mainly attributable to the recruitment of staff to support its expanding operations in the UK and recruitment of senior staff in Hong Kong for the Reporting Period. 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.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Group after the Reporting Period and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

The Group always strives to maintain the growth in the apparel designing and sourcing service industry and enhance the competitiveness and market share. With the increasing trend of global apparel retailing and online apparel retailing, the Group has been in the process of developing an online showroom with the assistance of an independent third party IT service provider. The Group expects to launch the online showroom in late 2019 to showcase the Group's in-house designed collections and the latest trends of fashion and lifestyle by publishing pictures and videos of apparel products, news, articles and editorials. The Directors believe that the online showroom will attract more online retailers worldwide and speed up the design selection process by customers.

Furthermore, the Group further expanded its business in the online apparel market by recruiting designers and garment technologist in the UK in order to capture the market share and minimise the impact arising from Brexit. The Group believes that such expansion could lead to an increase in the sales generated from online fashion retailers.

The US government has further announced a 15% import tariff list effective from 1 September 2019 for US$125 billion worth of Chinese goods, including but not limited to jackets, dresses and suits made from diversified categories of materials, which will likely impact on the Group's apparel products sourced from the PRC and to be sold to its US customers, if any of them falls within the tariffed categories. The newly imposed tariff will have no impact on the confirmed orders from the Group's US customers, as the Group's apparel products are exported to the US on a free-on-board (FOB) basis. Nonetheless, the imposition of such tariff would potentially increase the purchase costs of the Group's US customers and if they attempt to pass on the increased cost to the Group through negotiating a lower selling price, the Group's results of operation would likely be affected. To mitigate the potential risks brought by the US-China trade dispute, the Group has located new suppliers in different geographical areas which are not subject to the US-China trade dispute, like Cambodia, for the manufacturing of apparel products. The Group believes that the products supplied to US customers sourced from suppliers located outside of the US could help reduce the impact brought by the trade dispute, as non-PRC suppliers would have competitive advantage in importing their products to the US.

MANAGEMENT DISCUSSION AND ANALYSIS

In April 2019, the Group successfully acquired intellectual properties to expand its sales channel to online retailing. The management of the Group believes that such acquisition could help broaden our revenue sources and improve the supply chain management of the Group.

Regarding the impact of Brexit, according to the independent market research consultant engaged by the Company, it could have a material adverse impact on the UK's economy in the short run and on the future growth of the apparel industry in the UK. However, according to the market research consultant, the apparel industry in the UK is still embracing a period of upward trend with an increasing proportion of revenue being contributed by online channels, despite of its slowdown growth rate. Given that the Group's major customers in the UK mainly comprised online fashion retailers and combined with the efforts made by the Group in mitigating the risks that would potentially be brought by Brexit by attempting to diversify the geographical distribution of its customers, the management of the Group believes that the impact that would potentially be brought by Brexit on the Group would not be materially adverse.

Overall, the Group expects the global business environment to remain obscure in the coming year. Despite these uncertainties, the Directors remain confident that the Group has the ability to keep track with the fast growing trend of the global online apparel markets and maintain the relationship with customers so as to maximise return for the Company's shareholders.

OTHER INFORMATION

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

As at 31 July 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 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 Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of Director	Nature of interest	Number of Shares held	Percentage of shareholding in the Company's issued share capital
Mr. Charles Choi (Note 1)	Interest in controlled corporation	23,000,000 (L) (Note 2)	71.88%

Notes:

1. Mr. Charles Choi directly owns 100% of JC Fashion International Group Limited ("JC International"), which in turn holds 71.88% 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 July 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 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 Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

OTHER INFORMATION

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

So far as the Directors are aware, as at 31 July 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 interest	Number of Shares held	Percentage of shareholding in the Company's issued share capital
JC International (Note 1)	Beneficial owner	23,000,000 (L) (Note 2)	71.88%

Notes:

1. Mr. Charles Choi directly owns 100% of JC International, which in turn holds 71.88% 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 July 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.

OTHER INFORMATION

SHAREHOLDERS' INTERESTS IN SECURITIES OF SIGNIFICANCE

Other than the interests disclosed above in respect of the substantial shareholders, as at 31 July 2019, no other person is individually or collectively entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

DIRECTOR'S 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 Reporting Period.

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 Reporting Period or at any time during the Reporting Period, 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 Reporting Period. There was also no contract of significance between the Company or one of the subsidiaries and the controlling shareholders or any of its subsidiaries.

OTHER INFORMATION

COMPETING INTERESTS

During the Reporting Period 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) were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

CORPORATE GOVERNANCE

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

Since Mr. Charles Choi has been operating and managing JC Fashion Group Limited (旺利多時裝集團有限公司), 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 Reporting Period, save for the code provision A.2.1.

DIVIDEND

The Board does not recommend the payment of a dividend for the Reporting Period (three months ended 31 July 2018: Nil).

OTHER INFORMATION

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company set up 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 Reporting Period 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, 6 September 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.