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SG Group Holdings Limited

樺欣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8442)

ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 JANUARY 2020

The board (the “**Board**”) of directors (the “**Directors**”) of SG Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries for the three months and nine months ended 31 January 2020. This announcement, containing the full text of the third quarterly report for the nine months ended 31 January 2020 of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of the third quarterly results.

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

Hong Kong, 16 March 2020

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.



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The board of the Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 January 2020 together with the comparative unaudited figures for the corresponding periods in 2019 as follows:

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

FOR THE THREE MONTHS AND NINE MONTHS ENDED 31 JANUARY 2020

NOTES	Three months ended 31 January		Nine months ended 31 January	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	83,885	47,516	226,967	144,215
Cost of sales and services	(62,108)	(34,399)	(170,044)	(108,149)
Gross profit	21,777	13,117	56,923	36,066
Other income	388	476	1,334	1,054
Other gains and losses	(1,010)	618	(2,087)	(2,056)
Provision for impairment loss recognised on trade receivables, net of reversal	(1,447)	(469)	(2,964)	(1,387)
Administrative expenses	(4,417)	(3,459)	(11,274)	(8,442)
Selling and distribution expenses	(3,744)	(2,252)	(11,641)	(6,992)
Finance costs	(75)	(73)	(165)	(238)
Professional fee in relation to Transfer of Listing	(785)	(787)	(2,690)	(5,922)
Profit before taxation	10,687	7,171	27,436	12,083
Income tax expenses	(1,271)	(1,808)	(5,249)	(3,601)
Profit for the period	9,416	5,363	22,187	8,482
Other comprehensive income (expense) for the period				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	842	11	57	(1,025)
Other comprehensive income (expense) for the period	842	11	57	(1,025)
Total comprehensive income for the period	10,258	5,374	22,244	7,457
Earnings per share – basic (Hong Kong dollars)	0.29	0.17	0.69	0.27

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED 31 JANUARY 2020

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 (Note a)	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 May 2018 (audited)	320	39,201	65	641	51,886	92,113
Profit and total comprehensive expense for the period	-	-	-	(1,025)	8,482	7,457
At 31 January 2019 (unaudited)	320	39,201	65	(384)	60,368	99,570
At 30 April 2019 (audited)	320	39,201	406	(40)	69,866	109,753
Adjustment on initial application of Hong Kong Financial Reporting Standard 16 (Note 3)	-	-	-	-	(114)	(114)
At 1 May 2019 (Restated)	320	39,201	406	(40)	69,752	109,639
Profit and total comprehensive expense for the period	-	-	-	57	22,187	22,244
Transfer to statutory reserve	-	-	33	-	(33)	-
At 31 January 2020 (unaudited)	320	39,201	439	17	91,906	131,883

Notes:

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

SG Group Holdings Limited (the “Company”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 October 2015. The shares of the Company have been listed on GEM of the Stock Exchange since 21 March 2017.

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

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial statements for the nine months ended 31 January 2020 (the “Third Quarterly Financial Statements”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Companies Ordinance (Cap.622 of the Laws of Hong Kong). Besides, the Third Quarterly Financial Statements include applicable disclosures required by the GEM Listing Rules. The Third Quarterly Financial Statements have been prepared under the historical cost convention and are presented in HK\$ and all values are rounded to the nearest thousand except when otherwise indicated. The Third Quarterly Financial Statements are unaudited, but have been reviewed by the audit and risk management committee of the Company (“Audit and Risk Management Committee”).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (CONTINUED)

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies as described below and resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the Third Quarterly Financial Statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 April 2019.

Application of new and amendments to HKFRSs

For the nine months ended 31 January 2020, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 May 2019 for the preparation of the Group's unaudited condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current period. HKFRS 16 superseded HKAS 17 “Leases” (“HKAS 17”), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transitional provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of showroom that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the unaudited condensed consolidated statement of financial position.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 “Financial Instruments” (“HKFRS 9”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- the exercise price of a purchase option reasonably certain to be exercised by the Group.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16 (continued)

As a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 May 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 May 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$2,150,000 and right-of-use assets of HK\$2,564,000 at 1 May 2019.

When recognising the lease liabilities for lease previously classified as operating lease, the Group has applied incremental borrowing rates of the relevant group entity at the date of initial application. The incremental borrowing rate applied by the relevant group entity is 7%.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

	NOTE	At 1 May 2019 HK\$'000
		<hr/>
Operating lease commitments disclosed as at 30 April 2019		2,828
		<hr/>
Lease liabilities discounted at relevant incremental borrowing rate		2,151
Less: Recognition exemption – short-term lease		(31)
		<hr/>
Lease liability relating to operating leases recognised upon application of HKFRS 16 as at 1 May 2019		2,120
Add: Obligation under a finance lease recognised at 30 April 2019	(a)	30
		<hr/>
Lease liabilities as at 1 May 2019		2,150
		<hr/>
Analysed as:		
Current		227
Non-current		1,923
		<hr/>
		2,150
		<hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

As a lessee (continued)

The carrying amount of right-of-use assets as at 1 May 2019 comprises the following:

	NOTES	Right-of-use assets HK\$'000
		<hr/>
Right-of-use asset relating to operating leases recognised upon application of HKFRS 16		2,006
Amount included in property, plant and equipment under HKAS 17		
– Assets previously under a finance lease	(a)	533
Adjustments on rental deposit at 1 May 2019	(b)	25
		<hr/>
		2,564
		<hr/>
By class:		
Land and building		2,031
Motor vehicle		533
		<hr/>
		2,564
		<hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

The following table summarises the impacts of transition to HKFRS 16 on retained profits at 1 May 2019.

	Impacts of adopting HKFRS 16 at 1 May 2019 HK\$'000 Increase (decrease)
Retained profits	
Right-of-use asset relating to operating leases recognised upon application of HKFRS 16	2,006
Lease liability relating to operating leases recognised upon application of HKFRS 16	<u>(2,120)</u>
Impacts at 1 May 2019	<u>(114)</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (continued)

3.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

Notes:

- (a) In relation to assets previously under finance lease, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 May 2019 amounting to HK\$533,000 as right-of-use assets. In addition, the Group reclassified the obligation under a finance lease of HK\$30,000 to lease liabilities as current liabilities at 1 May 2019.
- (b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK\$25,000 and HK\$25,000 were adjusted to right-of-use assets and refundable rental deposit paid, respectively.
- (c) For the purpose of reporting cash flows for the nine months ended 31 January 2020, if any, movements have been computed based on opening unaudited condensed consolidated statement of financial position as at 1 May 2019.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE

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

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

	Three months ended 31 January		Nine months ended 31 January	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
At a point in time				
Womenswear	77,353	41,029	213,505	125,154
Childrenswear	5,932	5,887	11,662	15,476
Menswear	–	–	–	93
Subtotal for the supply of apparel products	83,285	46,916	225,167	140,723
Overtime				
Consultation Services	600	600	1,800	3,492
	83,885	47,516	226,967	144,215

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE (CONTINUED)

Geographical information

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

	Three months ended		Nine months ended	
	31 January		31 January	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue from external customers				
United Kingdom (the "UK")	12,495	26,098	93,216	81,458
United States o America (the "US")	32,232	2,465	64,885	2,666
Germany	35,777	7,314	50,346	24,437
PRC	30	6,679	11,147	26,226
Ireland	1,951	529	3,226	1,811
Hong Kong	600	3,697	1,800	6,611
Others	800	734	2,347	1,006
	83,885	47,516	226,967	144,215

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. INCOME TAX EXPENSES

	Three months ended 31 January		Nine months ended 31 January	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current tax (credit) expense:				
Hong Kong Profits Tax	1,507	1,772	5,294	3,884
PRC Enterprise Income Tax	(236)	176	17	417
Over provision in respect of prior year	-	-	(184)	-
	1,271	1,948	5,127	4,301
Deferred tax expense (credit)	-	(140)	122	(700)
	1,271	1,808	5,249	3,601

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime is insignificant to the unaudited condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 January 2020 (nine months ended 31 January 2019: nil).

7. EARNINGS PER SHARE

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

	Three months ended 31 January		Nine months ended 31 January	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Earnings:				
Earnings for the purpose of calculating basic earnings per share (profit for the period)	9,416	5,363	22,187	8,482
	'000	'000	'000	'000
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	32,000	32,000	32,000	32,000

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an apparel designing and sourcing service provider for branded fashion retailers and wholesalers. The revenue for the nine months ended 31 January 2020 was derived from the supply of apparel products to branded fashion retailers and wholesalers and provision of consultation services.

Supply of apparel products to branded fashion retailers and wholesalers

For the nine months ended 31 January 2020, the Group's revenue from the supply of apparel products increased by approximately 60.0% as compared with those for the corresponding period in 2019. Such increase was mainly attributable to the sales generated from two major customers. The Group continuously provides customized comprehensive services through efficient comprehensive apparel design 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 continued to engage its business in the provision of consultation services which generated revenue of approximately HK\$1.8 million during the nine months ended 31 January 2020, as compared to revenue of approximately HK\$3.5 million during the corresponding period of 2019, representing a decrease of approximately 48.5% due to the absence of a non-recurring audit from a customer. This segment mainly includes providing consultation services to apparel and footwear manufacturers which include assisting them to comply with corporate social responsibility standards requirements, providing fashion trend forecast analysis as well as design specification and introducing potential customers to them.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased to approximately HK\$227.0 million for the nine months ended 31 January 2020 from approximately HK\$144.2 million for the nine months ended 31 January 2019, representing an increase of approximately 57.4%. Such an increase in the Group's revenue was mainly attributable to the increase in sales generated from two major 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 to approximately HK\$170.0 million for the nine months ended 31 January 2020 from approximately HK\$108.1 million for the nine months ended 31 January 2019, representing an increase of approximately 57.2%. The Group's cost of sales and services increased along with the growth in revenue for the nine months ended 31 January 2020.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$56.9 million for the nine months ended 31 January 2020 from approximately HK\$36.1 million for the nine months ended 31 January 2019, representing an increase of approximately 57.8%. The Group's gross profit margin was approximately 25.1% for the nine months ended 31 January 2020 and approximately 25.0% for the nine months ended 31 January 2019. The increase in gross profit and gross profit margin were mainly attributable to the enhancement of sourcing services provided by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Other losses

The Group recorded other losses of approximately HK\$2.1 million for the nine months ended 31 January 2020, as compared to other losses of approximately HK\$2.1 million for the nine months ended 31 January 2019. Such losses were mainly due to foreign exchange loss as a result of the depreciation of Great British Pound (“GBP”). The Group has set up a comprehensive foreign currency risk management policy that the Group may adopt to manage the risks it faces. The Group will review such policy from time to time.

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

The Group recorded a provision for impairment loss recognised on trade receivables of approximately HK\$3.0 million for the nine months ended 31 January 2020, as compared to the provision of approximately HK\$1.4 million for the nine months ended 31 January 2019. There was no significant change of credit risk exposure for the major customers of the Group. As a result of the increase in trade receivables of the major customers of the Group, the Group incurred a credit loss allowance against the trade receivables for the nine months ended 31 January 2020.

Selling and distribution expenses

The Group’s selling and distribution expenses increased to approximately HK\$11.6 million for the nine months ended 31 January 2020 from approximately HK\$7.0 million for the nine months ended 31 January 2019, representing an increase of approximately 66.5%. The increase in the Group’s selling and distribution expenses mainly due to the increase in agency fee due to a US major customer and staff salaries for the nine months ended 31 January 2020.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, travelling expenses, depreciation of property, plant and equipment and other miscellaneous general and administrative expenses. Administrative expenses increased to approximately HK\$11.3 million for the nine months ended 31 January 2020 from approximately HK\$8.4 million for the nine months ended 31 January 2019, representing an increase of approximately 33.5%. Such an increase was mainly due to the increase in depreciation expense and staff salaries for the nine months ended 31 January 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Professional fee in relation to the Transfer of Listing

There was approximately HK\$2.7 million non-recurring professional fee in relation to the Transfer of Listing recognised for the nine months ended 31 January 2020 whilst there was approximately HK\$5.9 million recognised for the nine months ended 31 January 2019 representing a decrease of approximately 54.6%.

Total comprehensive income attributable to owners of the Company

Total comprehensive income attributable to owners of the Company increased to approximately HK\$22.2 million for the nine months ended 31 January 2020 from approximately HK\$7.5 million for the nine months ended 31 January 2019, representing an increase of approximately 198.3%. Such increase was mainly attributable to the factors discussed above. The underlying performance of the Group is better reflected by adjusting the total comprehensive income attributed to owners of the Company for the abovementioned non-recurring professional fee in relation to Transfer of Listing of approximately HK\$2.7 million, which was incurred during the nine months ended 31 January 2020. This resulted in an adjusted total comprehensive income attributed to owners of the Company of approximately HK\$24.9 million for the nine months ended 31 January 2020 representing an increase of approximately 86.4% compared to the adjusted total comprehensive income attributed to owners of the Company for the nine months ended 31 January 2019.

Basic earnings per share

The Company's basic earnings per share for the nine months ended 31 January 2020 was approximately HK\$0.69 (nine months ended 31 January 2019: HK\$0.27), representing an increase of approximately HK\$0.42, or approximately 155.6%, which is in line with the total comprehensive income attributable to owners of the Company for the nine months ended 31 January 2020, as compared to that for the nine months ended 31 January 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

During the nine months ended 31 January 2020, the Group mainly financed its operations with its own working capital. As at 31 January 2020 and 30 April 2019, the Group had net current assets of approximately HK\$100.1 million and HK\$85.0 million, respectively, including cash and bank balances of approximately HK\$23.7 million and HK\$44.2 million, respectively. The Group's current ratio (current assets divided by current liabilities) decreased from approximately 3.4 as at 30 April 2019 to approximately 2.8 as at 31 January 2020. Such a decrease was mainly because of the increase in trade and other payables for the nine months ended 31 January 2020. 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 0.0653 as at 31 January 2020 (30 April 2019: 0.0003).

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.

FOREIGN EXCHANGE EXPOSURE

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

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

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

As at 31 January 2020, the Company’s issued share capital was HK\$320,000 divided into 32,000,000 shares of HK\$0.01 each.

CAPITAL COMMITMENTS

As at 31 January 2020, the Group had capital commitments contracted for but not provided in the unaudited condensed consolidated financial statements amounted to approximately HK\$1.5 million (30 April 2019: HK\$1.7 million). Such commitments related to capital expenditure in respect of renovation of a leasehold property and acquisition of intangible asset of the Group.

DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 31 January 2020 (nine months ended 31 January 2019: nil).

SIGNIFICANT INVESTMENTS

During the nine months ended 31 January 2020, the Group did not hold any significant investments (nine months ended 31 January 2019: nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 January 2020 (30 April 2019: nil).

PLEDGE OF ASSETS

As at 31 January 2020, the Group did not have any leased assets secured by the lessor's title under finance lease (30 April 2019: HK\$0.5 million).

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were 50 and 43 as at 31 January 2020 and 31 January 2019, respectively. The Group's employee benefit expenses mainly included salaries, wages, other staff benefits and contributions to retirement schemes. For the nine months ended 31 January 2020 and 31 January 2019, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$9.3 million and HK\$5.1 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

Notwithstanding the outbreak of the coronavirus disease (COVID-19) (the “Outbreak”) which caused suspension to the work and production of the Group’s PRC approved suppliers, the Group was informed that the major PRC approved suppliers have already resumed normal duty.

Also, the Group has diversified the procurement from the PRC approved suppliers to the non-PRC approved suppliers from Sri Lanka, Cambodia or other countries. The Director assessed and considered that there is no material negative financial impact brought by the Outbreak.

In the light of the increasingly uncertainties arising from headwinds in the impact of Brexit, US-China trade war and downward pressures on the global economy, the Group has successfully diversified its geographical coverage into more countries in order to reduce its reliance on its major customers and suppliers.

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

The Company has resubmitted a formal application to the Stock Exchange on 6 March 2020 for the Transfer of Listing from GEM to the Main Board. The approval-in-principle for the Transfer of Listing has been granted by the Stock Exchange on 11 March 2020 for the Shares to be listed on the Main Board and de-listed from GEM. The Board believes that, if materialised, the listing of the Shares on the Main Board will further enhance the profile of the Group, strengthen its recognition among public investors and customers and be beneficial to the financing flexibility and future business development of the Group.

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

OTHER INFORMATION

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

As at 31 January 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of Director	Nature of interest	Number of Shares held	Percentage of shareholding in the Company's issued share capital
Mr. Choi King Ting, Charles ("Mr. Charles Choi") (Note 1)	Interest in controlled corporation	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.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS (CONTINUED)

Save as disclosed above, as at 31 January 2020, none of the Directors nor chief executive of the Company has registered any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

Save as otherwise disclosed in this report, at no time during the nine months ended 31 January 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of Shares in or debentures of the Company or any other body corporate.

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 January 2020, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest or short position in the shares or the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Nature of interest	Number of Shares held	Percentage of shareholding in the Company's issued share capital
JC International (<i>Note 1</i>)	Beneficial owner	23,000,000 (L) (<i>Note 2</i>)	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 January 2020, the Directors were not aware of any other persons who had any interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

OTHER INFORMATION

SHAREHOLDERS' INTERESTS IN SECURITIES OF SIGNIFICANCE

Other than the interests disclosed above in respect of the substantial shareholders, as at 31 January 2020, 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 THE COMPANY'S LISTED SECURITIES

The Company did not redeem any of its shares listed and traded on GEM nor did the Company or any of its subsidiaries purchase or sell any such Shares during the nine months ended 31 January 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the Director's securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having been made a specific enquiry by the Company, all Directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions throughout the nine months ended 31 January 2020.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the nine months ended 31 January 2020 or at any time during the nine months ended 31 January 2020, nor was there any transaction, arrangement or contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the GEM Listing Rules) or any of its subsidiaries for the nine months ended 31 January 2020. 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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the nine months ended 31 January 2020 and up to the date of this report, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) was considered to have any interests in a business which competed or was likely to complete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKING

The Company confirms that the non-competition undertaking of Mr. Charles Choi and JC International (details of which were set out in the Prospectus) has been fully complied and enforced since the Listing Date and up to 31 January 2020. The Board also confirms that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the shareholders and the potential investors of the Company.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Group after the nine months ended 31 January 2020 and up to the date of this report.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

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

Since Mr. Charles Choi has been operating and managing JC Fashion Group Limited, the main operating subsidiary of the Company since its incorporation, the Board believes that it is in the best interest of the Group to have Mr. Charles Choi taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from code provision A.2.1 of the CG Code is appropriate in such circumstance. The Directors also believe that a balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and professional individuals including three independent non-executive Directors. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

The Company complied with all code provisions in the CG Code during the nine months ended 31 January 2020, save for the code provision A.2.1.

OTHER INFORMATION

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company set up an audit and risk management committee (the “Audit and Risk Management Committee”) on 21 February 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The duties of the Audit and Risk Management Committee are to review relationship with the Company’s external auditors, review the Company’s financial information, oversee the Company’s financial reporting system and internal control procedures and oversee the Company’s continuing connected transactions. The Audit and Risk Management Committee comprises all three independent non-executive Directors, namely Mr. Lai Kwok Hung, Alex, who is the chairman of the Audit and Risk Management Committee, Mr. Yeung Chuen Chow, Thomas and Mr. Cüneyt Bülent Bilâlođlu. The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 January 2020 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, 16 March 2020

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 Bilâlođlu.