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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: 1657)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 APRIL 2020

The board of Directors (the “**Board**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 30 April 2020 (the “**Year**”) together with the comparative audited figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 April 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	257,321	204,383
Cost of sales and services		(197,031)	(153,751)
Gross profit		60,290	50,632
Other income		1,233	552
Other gains and losses		1,125	(2,726)
Impairment loss of trade receivables, net of reversal		(3,989)	1,435
Administrative expenses		(15,874)	(10,135)
Selling and distribution expenses		(16,722)	(9,280)
Finance costs		(204)	(7)
Professional fee in relation to Transfer of Listing		(6,441)	(5,922)

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before tax		19,418	24,549
Income tax expense	5	<u>(3,577)</u>	<u>(6,228)</u>
Profit for the year		<u>15,481</u>	<u>18,321</u>
OTHER COMPREHENSIVE EXPENSE			
FOR THE YEAR			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(561)</u>	<u>(681)</u>
Total comprehensive income for the year		<u>15,280</u>	<u>17,640</u>
Earnings per share			
– basic (Hong Kong dollars)	7	<u>0.50</u>	<u>0.57</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2020

		2020	2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		21,051	18,422
Right-of-use assets		2,139	–
Investment properties		3,960	–
Intangible assets		2,471	801
Deposit paid for acquisition of intangible assets	8	5,324	2,000
Deposit paid for renovation of an owned property	8	1,238	3,450
Deferred tax assets		350	55
		36,533	24,728
Current assets			
Inventories		868	2,993
Trade and other receivables	8	86,285	73,397
Bank balances and cash		35,100	44,159
		122,253	120,549
Current liabilities			
Contract liabilities	9	94	632
Trade and other payables	9	26,878	27,900
Lease liabilities/obligation under a finance lease		734	30
Tax payables		4,435	6,962
		32,141	35,524
Net current assets		90,112	85,025
Total assets less current liabilities		126,645	109,753

	2020	2019
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	1,593	–
Deferred tax liabilities	133	–
	<u>1,726</u>	<u>–</u>
Net assets	<u>124,919</u>	<u>109,753</u>
Capital and reserves		
Share capital	320	320
Reserves	124,599	109,433
	<u>124,919</u>	<u>109,753</u>
Total equity	<u>124,919</u>	<u>109,753</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2020

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> <i>(Note)</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2018	320	39,201	65	641	51,886	92,113
Profit and total comprehensive income for the year	–	–	–	(681)	18,321	17,640
Transfer to statutory reserve	–	–	341	–	(341)	–
At 30 April 2019	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 (<i>restated</i>)	320	39,201	406	(40)	69,752	109,639
Profit and total comprehensive income for the year	–	–	–	(561)	15,841	15,280
Transfer to statutory reserve	–	–	50	–	(50)	–
At 30 April 2020	<u>320</u>	<u>39,201</u>	<u>456</u>	<u>(601)</u>	<u>85,543</u>	<u>124,919</u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

SG Group Holdings Limited (the “**Company**”) was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 8 October 2015. The ordinary shares of the Company was listed on GEM of The Stock Exchange of Hong Kong Limited in 2017. On 20 March 2020, the ordinary shares of the Company transferred and listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

In the opinion of the directors, the immediate and ultimate holding company is JC Fashion International Group Limited which was incorporated in the British Virgin Islands (“**BVI**”). Its ultimate controlling party is Mr. Choi King Ting Charles (“**Mr. Charles Choi**”) who is also a director and the chief executive of the Company.

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

The address of the head office and the principal place of business of the Company is Unit B, 9/F., Mai Wah Industrial Building, 1-7 Wah Sing Street, Kwai Chung, New Territories, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the supply of apparel products with design and sourcing services to fashion retailers and the provision of consultation services.

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

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

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 year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3.1 HKFRS 16 “Leases”

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

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

For leases previously classified as finance leases, the carrying amount of the right-of-use asset and the lease liability at the date of initial application is the carrying amount of the lease asset and lease liability immediately before that date measured applying HKAS 17. For those leases, the Group accounted for the right-of-use assets and the lease liabilities by applying HKFRS 16 from the date of initial application.

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 May 2019. As at 1 May 2019, the Group recognised additional lease liabilities and right-of-use assets as at the date of initial application, at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

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.

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 7.00%.

	<i>NOTE</i>	At 1 May 2019 HK\$'000
Operating lease commitments disclosed as at 30 April 2019		<u>2,828</u>
Lease liabilities discounted at relevant incremental borrowing rate		2,151
Less: Recognition exemption - short-term lease		<u>(31)</u>
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 as at 30 April 2019	<i>(a)</i>	<u>30</u>
Lease liabilities as at 1 May 2019		<u><u>2,150</u></u>
Analysed as:		
Current		227
Non-current		<u>1,923</u>
		<u><u>2,150</u></u>

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

	<i>NOTES</i>	Right-of-use assets <i>HK\$'000</i>
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	<i>(a)</i>	533
Adjustments on rental deposit as at 1 May 2019	<i>(b)</i>	<u>25</u>
		<u>2,564</u>
By class:		
Leased property		2,031
Motor vehicle		<u>533</u>
		<u>2,564</u>

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 <i>HK\$'000</i> Increase (decrease)
Retained profits	
Right-of-use assets 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>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 May 2019. Line items that were not affected by the changes have not been included.

	<i>NOTES</i>	Carrying amounts previously reported at 30 April 2019 <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Carrying amounts under HKFRS 16 at 1 May 2019 <i>HK\$'000</i>
Non-current assets				
Property, plant and equipment	(a)	18,422	(533)	17,889
Right-of-use assets		–	2,564	2,564
Current assets				
Trade and other receivables	(b)	73,397	(25)	73,372
Current liabilities				
Obligation under a finance lease	(a)	30	(30)	–
Lease liabilities		–	227	227
Non-current liability				
Lease liability		–	1,923	1,923
Capital and reserves				
Retained profits		<u>69,866</u>	<u>(114)</u>	<u>69,752</u>

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 under other receivables. 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 was adjusted from rental deposit paid and to right-of-use assets.

For the purpose of reporting cash flows from operating activities under indirect method for the year ended 30 April 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 May 2019 as disclosed above.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts ¹
Amendment to HKFRS 16	Covid-19–Related Rent Concessions ⁶
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ⁴
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ⁵
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁵
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ⁵

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

² Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 January 2020

⁵ Effective for annual periods beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 June 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, “the Amendments to References to the Conceptual Framework in HKFRS Standards”, will be effective for annual periods beginning on or after 1 January 2020.

Amendments to HKFRS 3 “Definition of a Business”

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The Group will apply the amendments prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the annual reporting period beginning on or after 1 May 2020.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of “obscuring” material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from “could influence” to “could reasonably be expected to influence”; and
- include the use of the phrase “primary users” rather than simply referring to “users” which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group’s annual period beginning on 1 May 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the “New Framework”) and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 May 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

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

4. REVENUE AND SEGMENT INFORMATION

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

The Group determines its operating segments based on the reports reviewed by the executive directors, being the chief operating decision makers (the "CODM"), which are used to make strategic decisions for the purposes of resource allocation and assessment of segment performance. The Group mainly sells apparel products with designing and sourcing services to fast fashion clothing retailers and provides consultation services.

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. The Group combined the online fashion retailers segment with fashion retailers segment. With more fashion retailers started to trade on the online platform, the CODM started to make strategic decision for all fashion retails as a whole. Prior year segment disclosure have been represented to conform with the current year's presentation.

The details of the Group's each reportable segment are as follows:

- | | | |
|------|----------------------------|---|
| (i) | Supply of Apparel Products | Supply of apparel products with designing and sourcing services to fashion retailers. |
| (ii) | Consultation Services | Income from provision of consultation services to the manufacturers which mainly include (a) assisting them to comply with corporate social responsibility standards requirements; (b) providing fashion trends forecast analysis; (c) design specification; and (d) introducing potential customers. |

These operating segments also represent the Group's reportable segments. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment revenue and results

For the year ended 30 April 2020

	Supply of apparel products <i>HK\$'000</i>	Consultation Services <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue			
Womenswear	239,647	–	239,647
Childrenswear	15,274	–	15,274
Consultation services	–	2,400	2,400
	<u>254,921</u>	<u>2,400</u>	<u>257,321</u>
Segment profit	<u>29,764</u>	<u>1,213</u>	30,977
Unallocated income			405
Unallocated gains and losses			1,565
Unallocated expenses			(7,088)
Professional fee in relation to Transfer of Listing			<u>(6,441)</u>
Profit before tax			<u>19,418</u>

For the year ended 30 April 2019

	Supply of apparel products <i>HK\$'000</i> <i>(restated)</i>	Consultation Services <i>HK\$'000</i> <i>(restated)</i>	Consolidated <i>HK\$'000</i> <i>(restated)</i>
Segment revenue			
Womenswear	180,032	–	180,032
Childrenswear	19,720	–	19,720
Menswear	92	–	92
Consultation services	–	4,539	4,539
	<u>199,844</u>	<u>4,539</u>	<u>204,383</u>
Segment profit	<u>30,372</u>	<u>3,329</u>	33,701
Unallocated income			149
Unallocated gains			395
Unallocated expenses			(3,767)
Unallocated finance costs			(7)
Professional fee in relation to Transfer of Listing			<u>(5,922)</u>
Profit before tax			<u>24,549</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of unallocated income and expenses mainly including certain depreciation on property, plant and equipment, depreciation on investment properties, change in fair value of derivatives and financial assets at FVTPL, general office expenses, professional fee in relation to transfer of listing, certain finance costs and net foreign exchange losses. This is consistent with the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

There were no inter-segment sales for both years.

Revenue by type of products/services

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
At a point in time:		
Supply of apparel products		
Womenswear	239,647	180,032
Childrenswear	15,274	19,720
Menswear	–	92
	<hr/>	<hr/>
Subtotal for the supply of apparel products	254,921	199,844
Over time:		
Consultation services	2,400	4,539
	<hr/>	<hr/>
	257,321	204,383
	<hr/>	<hr/>

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

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

Segment assets and liabilities

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM of the Group.

Geographical information

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers		
United Kingdom (the "UK")	105,379	109,313
United States of America	75,333	16,088
Germany	56,937	30,391
The PRC	11,436	36,886
Ireland	3,226	2,517
Hong Kong	2,400	7,657
Others	2,610	1,531
	<u>257,321</u>	<u>204,383</u>

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

	30 April 2020	30 April 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	33,528	23,912
The PRC	2,177	761
The UK	478	–
	<u>36,183</u>	<u>24,673</u>

Information about major customers

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A ¹	108,546	76,949
Customer B ¹	34,771	41,503
Customer C ^{1,2}	N/A	36,886
Customer D ^{1,3}	52,088	N/A

¹ Revenue generated from supply of apparel products segment.

² The revenue of Customer C for the year ended 30 April 2020 was not more than 10% of the total revenue of the Group.

³ The revenue of Customer D for the year ended 30 April 2019 was not more than 10% of the total revenue of the Group.

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

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

	Consultancy Services	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	400	1,200
More than one year but not more than two years	—	400
	400	1,600

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

5. INCOME TAX EXPENSE

	2020	2019
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax	3,749	5,098
The PRC Enterprise Income Tax (the "EIT")	–	905
	<u>3,749</u>	<u>6,003</u>
Overprovision in prior years:		
Hong Kong	–	(81)
The PRC	(334)	–
	<u>3,415</u>	<u>5,922</u>
Deferred tax expense	<u>162</u>	<u>306</u>
	<u>3,577</u>	<u>6,228</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

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

The UK Corporate Tax is calculated at 19% of the taxable profits of subsidiary established in UK.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before tax	<u>19,418</u>	<u>24,549</u>
Tax at Hong Kong Profits Tax rate of 16.5% (2019: 16.5%)	3,204	4,051
Tax effect of expenses not deductible for tax purposes	1,720	2,124
Tax effect of income not taxable for tax purposes	(905)	–
Tax effect of tax losses not recognised	57	50
Tax effect of different rate of subsidiaries operating in other jurisdictions	–	290
Income tax at concessionary rate	(165)	(165)
Overprovision in prior years	(334)	(81)
Others	<u>–</u>	<u>(41)</u>
Income tax expense	<u>3,577</u>	<u>6,228</u>

6. DIVIDEND

No dividend was paid or proposed for the ordinary shareholders of the Company during the year ended 30 April 2020 (2019: Nil), nor has any dividend been proposed since the end of the reporting period.

7. EARNINGS PER SHARE

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year)	<u>15,481</u>	<u>18,321</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>32,000</u>	<u>32,000</u>

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

8. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	62,363	57,100
Less: allowance for credit losses	<u>(3,167)</u>	<u>(1,441)</u>
	59,196	55,659
Other receivables		
– Deposits and prepayments (Note)	3,353	1,174
– Prepayment to suppliers	21,000	11,126
– Prepayment for professional fee in relation to transfer of listing	–	2,325
– Deposit paid for acquisition of intangible assets	5,324	2,000
– Deposit paid for renovation of an owned property	1,238	3,450
– VAT receivables	2,451	2,773
– Others	<u>285</u>	<u>340</u>
	33,651	23,188
Total trade and other receivables	<u>92,847</u>	<u>78,847</u>
Analysis for reporting purpose as		
Non-current assets	6,562	5,450
Current assets	<u>86,285</u>	<u>73,397</u>
	<u>92,847</u>	<u>78,847</u>

Note: The amount mainly represented prepayment of consultancy services.

For customers with good credit quality and payment history, the Group allows credit periods of no longer than 90 days (2019: 90 days). For other customers, the Group requests an advance deposit payment and demands for full settlement upon delivery of the goods.

As at 1 May 2018, trade receivables from contracts with customers amounted to HK\$39,386,000.

The following is an aged analysis of trade receivables (net of allowance for credit losses) presented based on the invoice date at the end of the reporting period, which approximates the revenue recognition dates:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 60 days	26,301	34,947
61 to 180 days	31,616	14,926
181 to 365 days	421	5,416
Over 365 days	<u>858</u>	<u>370</u>
	59,196	55,659

Included in the Group's trade receivables balance are debtors with aggregate carrying amounts of approximately HK\$28,395,000 (2019: HK\$25,603,000), which are past due at the end of the reporting period for which the Group has not provided for impairment loss because there has not been a significant change in credit quality and taking into account of forward looking information and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

As at 30 April 2020, the Group has HK\$1,459,000 (2019: HK\$11,896,000) of trade receivables past due over 90 days but not impaired. The Group does not consider such balances are defaulted due to long and on-going business relationship, good repayment record, good credit quality and forward looking information of these customers.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
HK\$	10,917	3,030
Great British Pound ("GBP")	4,683	1,708
Euro ("EUR")	663	–

9. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	22,124	23,513
Other payables	2,966	1,999
Accrued expenses	1,788	2,388
Total trade and other payables	26,878	27,900

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 60 days	16,424	18,957
61 to 180 days	5,087	3,713
181 to 365 days	436	657
Over 365 days	177	186
	22,124	23,513

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
HK\$	4,847	6,401
GBP	1,038	<u>4</u>

The following is the analysis of contract liabilities.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Receipt in advance for apparel products contracts	94	<u>632</u>

As at 1 May 2018, contract liabilities amounted to HK\$72,000.

Contract liabilities are classified as current as they are expected to be settled within the Group's normal operating cycle. The balance of contract liabilities has decreased mainly due to the decrease in sales close to 30 April 2020.

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

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Balance at the beginning of the year	632	72
Billing in advance for contracts for apparel products	94	632
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>(632)</u>	<u>(72)</u>
Balance at the end of the year	94	<u>632</u>

10. PLEDGE OF ASSETS

At 30 April 2019, the Group's obligation under a finance lease was secured by the lessor's title to the leased assets, which had a carrying amount of HK\$533,000.

11. RELATED PARTY DISCLOSURES

- (i) Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Relationships	Nature of balances/transactions	2020 HK\$'000	2019 HK\$'000
A related company	Rental expenses ¹	–	62
A related party	Interest expenses on lease liabilities ²	136	N/A
	Expenses relating to short-term lease	73	–
	Lease liabilities ²	2,120	N/A
	Rental expenses ²	<u>N/A</u>	<u>337</u>

¹ During the year ended 30 April 2019, this represented rental expenses payable to an entity controlled by a close family member of Mr. Charles Choi, the controlling shareholder of the Company, for the lease of office premises in Hong Kong.

² During the year ended 30 April 2018, the Group entered into a lease agreement for the use of office in Shenzhen, the PRC with a relative of Mr. Charles Choi for 10 years, the rental expenses payable to the relative was HK\$337,000 during the year ended 30 April 2019. Upon the application of HKFRS 16, the Group has recognised right-of-use assets and lease liabilities of HK\$2,031,000 and HK\$2,120,000 respectively.

- (ii) **Compensation of key management personnel**

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

	2020 HK\$'000	2019 HK\$'000
Salaries and allowances	2,729	2,323
Retirement benefit schemes contributions	<u>104</u>	<u>79</u>
	<u>2,833</u>	<u>2,402</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Supply of apparel products to branded fashion retailers and wholesalers

The Group's revenue from the segment increased by 27.5% to approximately HK\$254.9 million for the Year from approximately HK\$199.9 million for the year ended 30 April 2019. Such increases were mainly due to the sales generated from two major customers and the increase in quantity of sales orders from existing customers. The Group continuously strengthens its customized comprehensive apparel designing and sourcing services to the customers within a short lead time to secure existing customers and maintaining a growth in revenue.

Consultation services

The Group engaged its business in the provision of consultation services which generated revenue of approximately HK\$2.4 million during the Year as compared to approximately HK\$4.5 million for the year ended 30 April 2019, representing a decrease of approximately 46.7% due to the absence of a non-recurring factory audit from a customer during the Year. 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.

The Shares were successfully transferred its listing from GEM to the main board of the Stock Exchange (the “**Main Board**”) on 20 March 2020. The Directors consider that Main Board is a premier board on the Stock Exchange and the Transfer of Listing will be able to attract new institutional investors and broaden the Company's investor base and increase trading liquidity for Shares, which is beneficial to the Company for its continued growth, financing flexibility and business developments, and is in the overall interest of the Company as it will create a long-term value to its Shareholders as a whole. In addition, the Board also believes that the Transfer of Listing will (i) enhance the profile and promote market recognition of the Company amongst public investors, its existing and potential customers (such as large apparel brands and sourcing agents of apparel brands) which will, in turn, have a positive impact on its business

developments and strengthen the confidence of its stakeholders; (ii) reinforce confidence of existing and potential customers and suppliers in the financial strength, corporate governance and credibility of the Group because in general, Main Board is perceived to be a more prestige status for listed companies and has more stringent requirements for listing as compared to GEM. This might be advantageous for the Group when negotiating contractual terms for its sales and purchases; and (iii) promote the corporate image of the Group, as such, it would be easier to retain and recruit experienced staff and to attract new customers.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 25.9% to approximately HK\$257.3 million for the Year from approximately HK\$204.4 million for the year ended 30 April 2019. Such an increase in the Group's revenue was mainly due to the sales generated from two major customers and the increase in quantity of sales orders from existing customers.

Cost of sales and services

The Group's cost of sales and services primarily consists of cost of goods sold and services provided and other direct costs. The cost of sales and services increased by 28.1% to approximately HK\$197.0 million for the Year as compared to HK\$153.8 million for the year ended 30 April 2019. The cost of sales and services increased along with the growth in revenue for the Year.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$60.3 million for the Year from approximately HK\$50.6 million for the year ended 30 April 2019, representing an increase of approximately 19.2%. The Group's gross profit margin was approximately 23.4% for the Year and approximately 24.8% for the year ended 30 April 2019. The decrease in gross profit margin was mainly due to competitive pricing offered by the Group to major customers in return received a greater portion of purchase orders from its customers, which diluted the effect of sales to other customers with higher gross profit margin by providing fabric supply by Group to two of its approved suppliers.

Other gains and losses

The Group recorded other gains on change in fair value of financial assets at FVTPL of appropriately HK\$5.2 million for the Year. The Group recorded other losses of approximately HK\$3.4 million for the Year, as compared to other losses of approximately HK\$2.7 million for the year ended 30 April 2019, representing an increase of approximately 25.9%. Such an increase was mainly due to the foreign exchange losses on depreciation of GBP for the Year.

Impairment loss of trade receivables, net of reversal

The Group recorded a provision for impairment loss recognised on trade receivables of approximately HK\$4.0 million for the Year from recording a reversal of impairment loss recognised on trade receivables of approximately HK\$1.4 million for the year ended 30 April 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.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, entertainment expenses, travelling expenses, depreciation of property and equipment and right-of-use assets, legal and professional fees and other miscellaneous general and administrative expenses. Administrative expenses increased to approximately HK\$15.9 million for the Year from approximately HK\$10.1 million for the year ended 30 April 2019, representing an increase of approximately 57.4%. The increase was mainly due to the increase of depreciation expenses and staff salaries for the Year.

Selling and distribution expenses

The Group's selling and distribution expenses decreased to approximately HK\$16.7 million for the Year from approximately HK\$9.3 million for the year ended 30 April 2019, representing a decrease of approximately 79.6%. The increase was mainly due to the increase in agency fee due to a US major customer and staff salaries for the Year.

Professional fee in relation to the Transfer of Listing

The Group recognised approximately HK\$6.4 million non-recurring professional fee in relation to the Transfer of Listing for the year ended 30 April 2020 whilst there was approximately HK\$5.9 million recognised for the year ended 30 April 2019, representing an increase of approximately 8.5%.

Total comprehensive income attributable to owners of the Company

Total comprehensive income attributable to owners of the Company decreased to approximately HK\$15.3 million for the Year from approximately HK\$17.6 million for the year ended 30 April 2019, representing a decrease of approximately 13.1%. Such a decrease was mainly attributable to the presence of professional fee in relation to Transfer of Listing and the increase in foreign exchange losses as compared to the year ended 30 April 2019. If the non-recurring professional fee in relation to the Transfer of Listing of approximately HK\$6.4 million and HK\$5.9 million for the years ended 30 April 2019 and 2020 were excluded respectively, the Group's adjusted total comprehensive income attributable to owners of the Company for the Year would have been approximately HK\$21.7 million, representing a decrease of approximately HK\$1.8 million or 7.7% as compared to the adjusted total comprehensive income attributable to owners of the Company for the year ended 30 April 2019.

Basic earnings per Share

The Company's basic earnings per Share for the Year was approximately HK\$0.50 (30 April 2019: HK\$0.57), representing a decrease of approximately HK\$0.07, or approximately 12.3%, which was in line with the profit for the year attributable to owners of the Company for the Year, as compared to that for the year ended 30 April 2019.

LIQUIDITY AND FINANCIAL RESOURCES

During the Year, the Group mainly financed its operations with its own working capital. As at 30 April 2020 and 2019, the Group had net current assets of approximately HK\$90.1 million and HK\$85.0 million, respectively, which include bank balances and cash of approximately HK\$35.1 million and HK\$44.2 million, respectively. The Group's current ratio (that is, current assets divided by current liabilities) increased from approximately 3.4 as at 30 April 2019 to approximately 3.8 as at 30 April 2020. Such an increase was mainly because the increase in trade and other receivables as at 30 April 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 approximately 0.0186 as at 30 April 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 to credit risk. In addition to these ongoing credit evaluations, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

COMMITMENTS

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

CAPITAL STRUCTURE

As at 30 April 2020 and 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 30 April 2020 and 2019, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 30 April 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 30 April 2020 and 2019.

FOREIGN EXCHANGE EXPOSURE

As at 30 April 2020 and 2019, the Group's exposure to currency risk primarily related to HK\$ and GBP. As HK\$ is pegged to the functional currency of the Group, US\$, the Group does not expect significant exchange rate risk from HK\$. The management of the Group strives to change invoicing currency of sales from GBP to US\$ to minimise exchange rate risk from fluctuations of GBP. The Group has set up a comprehensive foreign currency risk management policy that the Group may adopt to manage the risk it faces. The Group will review such policy from time to time. The Group currently does not undertake any foreign currency hedge.

PLEDGE OF ASSETS

As at 30 April 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 49 and 44 as at 30 April 2020 and 2019, respectively. The Group's employee benefit expenses mainly include salaries, wages, other staff benefits, contributions to retirement schemes. For the years ended 30 April 2020 and 2019, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$12.2 million and HK\$7.0 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance.

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

ENVIRONMENTAL POLICY

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

RELATIONSHIPS WITH STAKEHOLDERS

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

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

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

COMPARISON OF BUSINESS STRATEGICS WITH ACTUAL BUSINESS PROGRESS

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

Business strategies as stated in the Prospectus	Actual business progress up to the date of this announcement
Further strengthening the relationships with the Group's existing customers and developing relationships with new customers	<ul style="list-style-type: none">– Acquired a premises for setting up a flagship showroom in Hong Kong with planned budget– Online platform implemented during the year ended 30 April 2020– Recruited an assistant general manager who is in charge of the development and enhancement of the business relationships with customers, and the economic impact brought by Brexit
Further strengthening the design and development capabilities of the Group to enhance its business model	<ul style="list-style-type: none">– Recruited two designers in the UK in May 2019
Expanding the geographical base of the third-party suppliers and diversifying the supplier base	<ul style="list-style-type: none">– Established two PRC subsidiaries as sourcing offices in the PRC
Widening product offerings of the Group	<ul style="list-style-type: none">– Received the first order for knitwear apparel products in May 2017
Enhancing the Group's corporate image to attract customer attention	<ul style="list-style-type: none">– Planning to participate in trade shows to be held in the UK and Europe to approach potential customers during the year ending 30 April 2021

USE OF PROCEEDS

The actual net proceeds from Listing on the GEM by way of share offer (the (“**Share Offer**”) on 21 March 2017, after deducting commission and expenses borne by the Company in connection with the Share Offer, were approximately HK\$44.4 million (the “**Actual Net Proceeds**”), which were higher than the estimated figure as stated in the Prospectus. Thus, the Company plans to apply the Actual Net Proceeds on the same business strategic plans as stated in the Prospectus for the period from the Listing Date to 31 October 2020 (the “**Period**”) but with monetary adjustments to each business strategic plan on a pro-rata basis. The table below sets out an adjusted allocation and the actual use of the Actual Net Proceeds as at 30 April 2020 as well as the reasons for the delay in using the Actual Net Proceeds as proposed in the Prospectus:

Business strategies as set out in the Prospectus	Adjusted allocation of the Actual Net Proceeds HK\$'000	Actual usage of the Actual Net Proceeds as at 30 April 2020 HK\$'000	Unutilised Actual Net Proceeds as at 30 April 2020 HK\$'000
Further strengthening the relationships with our existing customers and developing relationships with new customers	27,464	24,558	2,906
Further strengthening our design and development capabilities to enhance our business model	4,703	2,886	1,817
Expanding the geographical base of the third-party suppliers and diversifying our supplier base	5,191	4,461	730
Enhancing our corporate image to attract customer attention	2,662	235	2,427
General working capital	4,392	4,392	–
Total	44,412	36,532	7,880

Reference is made to the update on the use of proceeds on the Group’s 2019 interim report. As at 31 October 2019, the Group has utilised approximately HK\$33.8 million of the Actual Net Proceeds from the Share Offer.

FUTURE PROSPECTS

The Sino-US trade war (the “**Trade War**”) has weighed on global economic sentiments and trading activities and caused downturn to the global economy. The Trade War tensions and disputes seems no sign to an end. Notwithstanding the Group’s customers do not have any preference for sourcing apparel products either from the PRC Approved Suppliers or the non-PRC Approved Suppliers, the Group has been implementing different strategies to mitigate such impact through (i) diversifying its import origins outside the PRC, such as Cambodia and Sri Lanka, and (ii) negotiating with its US customers to keep with the FOB shipping terms.

The COVID-19 pandemic has caused severe disruption to economic activities worldwide and caused significant uncertainties in the current business environment. Amid the challenges and uncertainties of the COVID-19 pandemic, it is expected that there will be material adverse changes in the financial and operational conditions of the customers, and thus, demands for the Group’s products may drop significantly, which could adversely affect the operating results of the Group in the forthcoming year. The Board will continue to assess the impact of the COVID-19 pandemic on the Group’s operations and financial performance and closely monitor the Group’s exposure to the risks and uncertainties in connection therewith. The Group will take appropriate measures to adapt to the challenging environment when necessary including but not limited to cost control measures to reduce the operating costs of the Group.

Looking ahead, the Group will continue to strengthen its customized comprehensive apparel designing and sourcing services to cater the existing and potential customers’ needs. The Group will actively promote its products in various ways including (i) display and promote sample products in showroom in Hong Kong and in the UK during customers’ visits; and (ii) e-promotion via online platforms tailored for individual customers. The Directors believe that regular communications with the Group’s customers allows the Group to better understand their needs and requirements, which in turn will strengthen the relationships between the Group and its customers.

The Directors will continue to review and evaluate the business objectives and strategies and make timely execution taking into account the business risks and market uncertainties. The Directors will also continue to explore suitable business and investment opportunities to create and nurture new profit growth drivers which in time will bring sustainable and stable development to the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

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

OTHER INFORMATION

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

As at 30 April 2020, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 13 of Appendix 16 to the Listing Rules, were as follows:

Name of Directors	Nature of interest	Number of Shares held	Percentage of shareholding in the Company's issued share capital
Mr. Charles Choi (<i>Note 1</i>)	Interest in controlled corporation	23,242,500(L) (<i>Note 2</i>)	72.63%
Mr. Lai Kwok Hung, Alex	Beneficial owner	10,000(L)	0.03%

Note:

1. Mr. Charles Choi directly owns 100% of JC Fashion International Group Limited (“**JC International**”), which in turn holds 72.63% of the issued share capital of the Company. Mr. Charles Choi is deemed, or taken to be interested in, all the Shares held by JC International for the purpose of the SFO.
2. The letter “L” denotes the person’s long position in the Shares.

Save as disclosed above, as at 30 April 2020, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rule 13 of Appendix 16 to the Listing Rules.

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

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

Name of shareholder	Nature of interests	Number of Shares held	Percentage of shareholding in the Company's issued share capital
JC International (<i>Note 1</i>)	Beneficial owner	23,242,500(L) (<i>Note 2</i>)	72.63%

Note:

- Mr. Charles Choi directly owns 100% of JC International, which in turn holds 72.63% 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.
- The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at 30 April 2020, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

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

During the year and up to the date of this annual report, the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to Listing Rules (the “**Model Code**”). In response to the specific enquiry made by the Company of the Directors, all Directors have confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors adopted by the Company throughout the year ended 30 April 2020.

Pursuant to B.13 of the Model Code, the Directors have also requested any employee of the Company or director or employee of subsidiary of the Company who, because of his/her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she were a Director.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 30 April 2020 or at any time during the year ended 30 April 2020, 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 Listing Rules) or any of its subsidiaries for the year ended 30 April 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.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year and up to the date of this announcement, none of the Directors or the controlling shareholders or substantial shareholders (as defined in the Listing Rules) of the Company or their respective close associates (as defined in the 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 the Listing Rules.

NON-COMPETITION UNDERTAKING

Each of the covenants of the deed of non-competition dated 21 February 2017 (“**Non-Competition Undertakings**”), Mr Charles Choi and JC International (“**Covenants**”), has made annual declarations to the Company that during the years ended 30 April 2020 and 2019, they have complied with the terms of the Non-Competition Undertakings. Details of the Non-Competition Undertakings are set out in the section headed “Relationship with our Controlling Shareholders” of the Prospectus.

The independent non-executive Directors have reviewed the status of compliance by each of the Covenants with the undertakings in the Non-Competition Undertakings and as far as the independent non-executive Directors can ascertain, the undertakings have been fully complied with and enforced during the years ended 30 April 2020 and 2019. The executive Directors and the independent non-executive Directors also confirm that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the Shareholders and the potential investors of the Group.

CORPORATE GOVERNANCE PRACTICES

The Company’s corporate governance code are based on the principles of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules. The Company is committed to ensure a quality board and transparency and accountability to Shareholders. The CG Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Charles Choi is the chairman and chief executive officer of the Company, which constitutes a deviation from the code provision A.2.1.

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

The Company complied with all code provisions in the CG Code during the year ended 30 April 2020, save for code provision A.2.1.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Group after the year ended 30 April 2020 and up to the date of this announcement.

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 30 April 2020 (30 April 2019: Nil).

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company has set up an Audit and Risk Management Committee on 21 February 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and section C3 of 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 audited consolidated financial statements of the Group for the Year 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 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 and Chief Executive Officer

Hong Kong, 30 July 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 Bilâlođlu.