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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 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**”) of SG Group Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board of 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 2018 together with the comparative unaudited figures for the corresponding periods in 2017 as follows:

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

For the three months and nine months ended 31 January 2018

	NOTES	Three months ended 31 January		Nine months ended 31 January	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	52,420	48,789	143,965	136,135
Cost of sales and services		<u>(39,133)</u>	<u>(37,495)</u>	<u>(107,194)</u>	<u>(104,456)</u>
Gross profit		13,287	11,294	36,771	31,679
Other income		82	73	362	341
Other gains and losses, net		1,134	(32)	921	(4,056)
Administrative expenses		(2,707)	(1,069)	(7,226)	(3,052)
Selling and distribution expenses		(2,148)	(2,112)	(6,022)	(5,650)
Finance costs		(50)	(152)	(204)	(309)
Listing expenses		–	(2,395)	–	(8,515)
Profit before taxation		9,598	5,607	24,602	10,438
Income tax expenses	4	<u>(2,125)</u>	<u>(910)</u>	<u>(5,021)</u>	<u>(3,257)</u>
Profit for the period		<u>7,473</u>	<u>4,697</u>	<u>19,581</u>	<u>7,181</u>
Other comprehensive income for the period					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		<u>252</u>	<u>–</u>	<u>283</u>	<u>–</u>
Other comprehensive income for the period		<u>252</u>	<u>–</u>	<u>283</u>	<u>–</u>
Total comprehensive income for the period		<u>7,725</u>	<u>4,697</u>	<u>19,864</u>	<u>7,181</u>
Earnings per share – basic (Hong Kong dollars)	6	<u>0.23</u>	<u>0.20</u>	<u>0.61</u>	<u>0.30</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 January 2018

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 May 2016 (audited)	- ⁺	-	-	24,661	24,661
Profit and total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,181</u>	<u>7,181</u>
At 31 January 2017 (unaudited)	<u>-⁺</u>	<u>-</u>	<u>-</u>	<u>31,842</u>	<u>31,842</u>
At 1 May 2017 (audited)	320	39,201	-	30,869	70,390
Profit and total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>283</u>	<u>19,581</u>	<u>19,864</u>
At 31 January 2018 (unaudited)	<u>320</u>	<u>39,201</u>	<u>283</u>	<u>50,450</u>	<u>90,254</u>

⁺ Less than HK\$1,000

NOTES TO THE 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 ordinary shares of the Company (the “**Shares**”) have been listed on GEM of the Stock Exchange since 21 March 2017.

The address of the head office and the principal place of business of the Company is Unit 104A, 1/F., Fook Hong Industrial Building, 19 Sheung Yuet Road, Kowloon Bay, Hong Kong. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the supply of apparel products with designing and sourcing services to fashion retailers and provision of consultation services.

The 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 2018 (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.

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.

The accounting policies applied in the preparation of the Third Quarterly Financial Statements are consistent with those of the Group’s condensed consolidated financial statements for the six months ended 31 October 2017 and the Group’s annual financial statements for the year ended 30 April 2017. The application of the new and revised HKFRSs issued by the HKICPA in the current period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements but the application may have impact on the disclosures in the consolidated financial statements for the year ending 30 April 2018.

The Group has not early applied the new and revised HKFRSs and HKASs that have been issued but are not yet effective.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on supply of apparel products and provision of consultation services for each of the reporting period end.

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

- | | |
|------------------------------|---|
| (i) Online Fashion Retailers | Supply of apparel products with designing and sourcing services to certain online fashion retailers, representing five customers namely ASOS.com Limited (“ASOS”), Lost Ink Ltd, zLabels GmbH (“Zalando”), Forever 21, Inc. and International Brands Company (nine months ended 31 January 2017: four customers namely ASOS, Lost Ink Ltd, Zalando and International Brands Company). |
| (ii) Fashion Retailers | Supply of apparel products with designing and sourcing services to fashion retailers other than “Online Fashion Retailers” as defined above. |
| (iii) Consultation Services | Income from provision of consultation services to apparel and footwear 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 CODMs have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

For the three months and nine months ended 31 January 2018

	Three months ended 31 January 2018				Nine months ended 31 January 2018			
	Online	Fashion	Consultation	Consolidated	Online	Fashion	Consultation	Consolidated
	Fashion	Retailers	Services		Fashion	Retailers	Services	
	Retailers	HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000	
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Segment revenue	<u>23,393</u>	<u>28,427</u>	<u>600</u>	<u>52,420</u>	<u>63,684</u>	<u>77,981</u>	<u>2,300</u>	<u>143,965</u>
Segment profit	<u>4,897</u>	<u>5,376</u>	<u>304</u>	<u>10,577</u>	<u>14,610</u>	<u>15,678</u>	<u>1,414</u>	<u>31,702</u>
Unallocated income				4				275
Unallocated losses, net				(45)				(371)
Unallocated expenses				(938)				(7,004)
Profit before taxation				<u>9,598</u>				<u>24,602</u>

For the three months and nine months ended 31 January 2017

	Three months ended 31 January 2017				Nine months ended 31 January 2017			
	Online	Fashion	Consultation	Consolidated	Online	Fashion	Consultation	Consolidated
	Fashion	Retailers	Services		Fashion	Retailers	Services	
	Retailers	HK\$'000	HK\$'000		HK\$'000	HK\$'000	HK\$'000	
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
Segment revenue	<u>16,910</u>	<u>31,279</u>	<u>600</u>	<u>48,789</u>	<u>48,801</u>	<u>85,534</u>	<u>1,800</u>	<u>136,135</u>
Segment profit	<u>1,671</u>	<u>2,059</u>	<u>381</u>	4,111	<u>8,955</u>	<u>13,117</u>	<u>1,227</u>	23,299
Unallocated income				68				312
Unallocated gains, net				4,037				6
Unallocated expenses				(214)				(4,664)
Listing expenses				(2,395)				(8,515)
Profit before taxation				<u>5,607</u>				<u>10,438</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of unallocated expenses and income mainly including certain depreciation on property, plant and equipment, general office expenses, selling and distribution expenses, listing expenses, foreign exchange gains and losses and income tax expenses. This is the measure reported to the CODMs of the Group for the purposes of resource allocation and performance assessment.

There were no inter-segment sales during the current and prior periods.

Revenue by type of products/services

	Three months ended 31 January		Nine months ended 31 January	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Womenswear:				
Online Fashion Retailers	22,956	16,910	62,944	48,801
Fashion Retailers	21,509	23,673	57,116	61,218
	<u>44,465</u>	<u>40,583</u>	<u>120,060</u>	<u>110,019</u>
Childrenswear:				
Online Fashion Retailers	437	–	740	–
Fashion Retailers	6,918	7,606	20,865	24,316
	<u>7,355</u>	<u>7,606</u>	<u>21,605</u>	<u>24,316</u>
Subtotal for the supply of apparel products	51,820	48,189	141,665	134,335
Consultation Services	600	600	2,300	1,800
	<u>52,420</u>	<u>48,789</u>	<u>143,965</u>	<u>136,135</u>

Geographical information

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

	Three months ended 31 January		Nine months ended 31 January	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue from external customers				
United Kingdom (the "UK")	40,333	42,572	116,964	120,814
Others				
– Ireland	436	1,381	2,482	4,143
– Hong Kong	631	600	2,358	1,866
– Germany	9,384	2,511	19,071	5,709
– United States of America	22	1,078	476	2,949
– Singapore	358	–	974	–
– Spain	978	460	978	460
– Myanmar	230	–	230	–
– United Arab Emirates	–	78	138	78
– Japan	48	–	104	–
– Saudi Arabia	–	76	92	76
– People's Republic of China (the "PRC")	–	–	51	–
– Others	–	33	47	40
	<u>12,087</u>	<u>6,217</u>	<u>27,001</u>	<u>15,321</u>
	<u>52,420</u>	<u>48,789</u>	<u>143,965</u>	<u>136,135</u>

Segment assets and liabilities

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

All non-current assets of the Group (excluding deferred tax assets) are located in Hong Kong and the PRC.

4. INCOME TAX EXPENSES

	Three months ended		Nine months ended	
	31 January		31 January	
	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax:				
Hong Kong Profits Tax				
– current period	1,750	910	4,641	3,254
PRC Enterprise Income Tax (“EIT”)				
– current period	375	–	375	–
	<u>2,125</u>	<u>910</u>	<u>5,016</u>	<u>3,254</u>
Deferred tax expense	<u>–</u>	<u>–</u>	<u>5</u>	<u>3</u>
Total income tax expense	<u>2,125</u>	<u>910</u>	<u>5,021</u>	<u>3,257</u>

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

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

5. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 31 January 2018 (nine months ended 31 January 2017: nil).

6. EARNINGS PER SHARE

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

	Three months ended		Nine months ended	
	31 January		31 January	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings:				
Earnings for the purpose of calculating basic earnings per share (profit for the period)	<u>7,473</u>	<u>4,697</u>	<u>19,581</u>	<u>7,181</u>
	'000	'000	'000	'000
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>32,000</u>	<u>24,000</u>	<u>32,000</u>	<u>24,000</u>

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

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the reorganisation of the Group (as set out in the section headed "History and Corporate Structure – Reorganisation" in the prospectus of the Company dated 28 February 2017) and the capitalisation issue had been effective on 1 May 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an apparel designing and sourcing service provider for branded fashion retailers. The revenue for the nine months ended 31 January 2018 was derived from the supply of apparel products to online fashion retailers and fashion retailers and provision of consultation services.

Supply of apparel products to online fashion retailers and fashion retailers

For the nine months ended 31 January 2018, the Group recorded increases in revenue of approximately 5.5% and gross profit of approximately 16.1% as compared with those for the nine months ended 31 January 2017. Such increases were mainly due to the increase in sales orders from new customers and quantity of sales orders from existing customers. To cope with the challenging global business environment, while the Group continuously provides customised comprehensive services through efficient comprehensive apparel designing and sourcing services from design to delivery processes to the customers within a short lead time, it also enhances business exposure and performance by expanding showrooms to secure existing customers and maintain a growth in revenue.

Consultation services

The Group engaged its business in the provision of consultation services which generated profit of approximately HK\$1.4 million for the nine months ended 31 January 2018, as compared to a profit of approximately HK\$1.2 million for the nine months ended 31 January 2017, representing an increase of approximately 16.7%. Such increase was mainly due to the one-off audit inspection carried out during the nine months ended 31 January 2018. This segment mainly includes providing consultation services to apparel and footwear manufacturers which include assisting them to comply with the corporate social responsibility standards requirements, providing fashion trend forecast analysis as well as design specification and introducing potential customers to them.

On 21 March 2017, the Shares were successfully listed on GEM by way of public offer and placing (the “**Share Offer**”). After deducting all the relevant commission and expenses borne by the Company, there are approximately HK\$44.4 million of actual net proceeds from the Share Offer. The Group would utilise such net proceeds in accordance with the business strategies as set out in the Company’s prospectus (the “**Prospectus**”) dated 28 February 2017.

FINANCIAL REVIEW

Revenue

The Group's revenue increased to approximately HK\$144.0 million for the nine months ended 31 January 2018 from approximately HK\$136.1 million for the nine months ended 31 January 2017, representing an increase of approximately 5.8%. Such increase in the Group's revenue was mainly attributable to the increase in sales orders from the new customers, quantity of sales orders from the existing customers and provision of consultation services.

Cost of sales and services

The Group's cost of sales primarily consists of cost of goods sold and services provided and other direct costs. The cost of sales and services increased to approximately HK\$107.2 million for the nine months ended 31 January 2018 from approximately HK\$104.5 million for the nine months ended 31 January 2017, representing an increase of approximately 2.6%. The Group's cost of sales and services increased along with the growth in revenue for the nine months ended 31 January 2018.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$36.8 million for the nine months ended 31 January 2018 from approximately HK\$31.7 million for the nine months ended 31 January 2017, representing an increase of approximately 16.1%. The Group's gross profit margin was approximately 25.5% for the nine months ended 31 January 2018 and approximately 23.3% for the nine months ended 31 January 2017. The increase in gross profit margin was mainly attributable to better cost control of suppliers for the nine months ended 31 January 2018.

Other gains and losses, net

The Group recorded other gains of approximately HK\$0.9 million for the nine months ended 31 January 2018, as compared to other losses of approximately HK\$4.1 million for the nine months ended 31 January 2017. Such gains were mainly due to change in invoicing currency of sales from Great British Pound (“GBP”) to US\$ which had minimised the foreign exchange rate risk from fluctuation of GBP.

Selling and distribution expenses

The Group's selling and distribution expenses increased to approximately HK\$6.0 million for the nine months ended 31 January 2018 from approximately HK\$5.7 million for the nine months ended 31 January 2017, representing an increase of approximately 5.3%. The increase in the Group's selling and distribution expenses was in line with the increase in revenue for the nine months ended 31 January 2018.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, operating lease rentals mainly for office, entertainment and travelling expenses, depreciation of property, plant and equipment, legal and professional fees and other miscellaneous general and administrative expenses. Administrative expenses increased to approximately HK\$7.2 million for the nine months ended 31 January 2018 from approximately HK\$3.1 million for the nine months ended 31 January 2017, representing an increase of approximately 132.3%. Such increase was mainly due to the increase in professional fees for compliance purpose after listing and general office expenses in a subsidiary as the Group had expanded its operations in the PRC since August 2017.

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company increased to approximately HK\$19.9 million for the nine months ended 31 January 2018 from approximately HK\$7.2 million for the nine months ended 31 January 2017, representing an increase of approximately 176.4%. Such increase was mainly attributable to the absence of listing expenses incurred and the decrease in the foreign exchange losses for the nine months ended 31 January 2018 as compared to those for the nine months ended 31 January 2017.

Basic earnings per Share

The Company's basic earnings per Share increased from approximately HK\$0.30 for the nine months ended 31 January 2017 to approximately HK\$0.61 for the nine months ended 31 January 2018, representing an increase of approximately HK\$0.31 or approximately 103.3%. Such increase was in line with the increase in the profit and total comprehensive income attributable to owners of the Company for the nine months ended 31 January 2018, as compared with that for the nine months ended 31 January 2017.

LIQUIDITY AND FINANCIAL RESOURCES

During the nine months ended 31 January 2018, the Group mainly financed its operations with its own working capital. As at 31 January 2018 and 30 April 2017, the Group had net current assets of approximately HK\$87.0 million and HK\$67.8 million, respectively, including cash and bank balances of approximately HK\$57.1 million and HK\$59.0 million, respectively. The Group's current ratio (current assets divided by current liabilities) decreased from approximately 6.9 as at 30 April 2017 to approximately 4.5 as at 31 January 2018. Such decrease was mainly because of the large increase in trade and other payables for the nine months ended 31 January 2018.

Gearing ratio is calculated by dividing total debts by total equity as at the end of the reporting period. The Group's gearing ratio was approximately 0.001 as at 31 January 2018 (30 April 2017: 0.006).

TREASURY POLICIES

The Group adopts prudent treasury policies. The Group's management performs an ongoing credit evaluation of the financial conditions of the customers in order to reduce the Group's exposure of credit risk. In addition to these ongoing credit evaluations, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

COMMITMENTS

The Group's contractual commitments primarily related to the leases of its office premises in Hong Kong, the PRC and the UK. The Group's operating lease commitments amounted to approximately HK\$4.0 million and HK\$0.6 million as at 31 January 2018 and 30 April 2017, respectively. The increase in operating lease commitments was mainly due to the establishment of the office in the PRC. As at 31 January 2018 and 30 April 2017, the Group did not have any significant capital commitments.

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 2018, the Company’s issued share capital was HK\$320,000 divided into 32,000,000 Shares of HK\$0.01 each.

SIGNIFICANT INVESTMENTS

During the nine months ended 31 January 2018 and 31 January 2017, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 15 January 2016, the Group completed the reorganisation steps, details of which are set out in the Prospectus. Subsequent to the completion of the reorganisation steps and up to 31 January 2018, the Group did not have any 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.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 January 2018 (30 April 2017: nil).

FOREIGN EXCHANGE EXPOSURE

The Group's exposure 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 does not undertake any foreign currency hedge currently.

PLEDGE OF ASSETS

As at 31 January 2018, the Group's obligation under a finance lease was secured by the lessor's title to the leased asset, which had a carrying amount of HK\$0.8 million (30 April 2017: HK\$1.0 million).

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were 45 and 19 as at 31 January 2018 and 31 January 2017, 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 2018 and 31 January 2017, the Group's total employee benefit expenses (including the Directors' emoluments) amounted to approximately HK\$4.8 million and HK\$3.7 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.

FUTURE PROSPECTS

The Shares were successfully listed on GEM on the Listing Date. The Board considers that such public listing status on the Stock Exchange allows the Company to access the capital market for corporate finance exercise which assists the Company in the future business development, enhances the Group's corporate profile and recognition and strengthens the Group's competitiveness.

The Group always strives to maintain the growth in the apparel designing and sourcing service industry and enhance the competitiveness and market share. With the increasing trend of global apparel retailing and online apparel retailing, the Group can use its extensive experience and knowledge in building the market position in this industry globally by setting up and expanding physical showrooms. In recent years, the Group was benefited by the showroom in the UK, therefore it intends to acquire a premise for its flagship showroom in Hong Kong. By setting up a large and better renovated showroom in Hong Kong, the Group will be able to display a full range of apparel products and components, which can create more business opportunities and strengthen the corporate image by giving more confidence to the customers. Since the UK and Europe are important markets, the Group will extend the showroom in the UK to respond quickly to customers' demand and display more in-house designed collections. Apart from that, the Group plans to launch an online showroom displaying the in-house designed collections and the latest trends of fashion and lifestyle by publishing pictures and videos of apparel products, features, news, articles and editorials.

The Group intends to recruit more external consultants to strengthen the design and development capabilities as well as the consultation services in order to offer different design styles of apparel products and create more in-house designed collections in the future. In addition, the Group established a subsidiary as an office for sourcing and quality assurance services in the PRC to source new suppliers for the manufacturing of apparel products. The quality assurance team will be stationed at the sourcing office to assist by continuing to explore the possibility of engaging more approved suppliers in different areas that provide products of similar quality at lower cost. Besides, the Group plans to utilise the market presence and quality apparel designing and sourcing services to attract new customers in different markets across the world by participating in major fashion trade shows and fairs globally so as to create a higher profile and corporate image.

Overall, the Group expects the global business environment to remain obscure in the coming year. Despite these uncertainties, the Directors remain confident that the Group has the ability to keep track with the fast growing trend of the global online apparel markets, maintain the relationship with customers and become a leading apparel designing and sourcing service provider in Hong Kong whilst maximising return for the shareholders of the Company (the **“Shareholders”**).

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 2018, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of Director	Nature of interest	Number of Shares held	Percentage of shareholding in the Company's issued share capital
Mr. Choi King Ting, Charles ("Mr. Charles Choi") (Note 1)	Interest in controlled corporation	24,000,000 (L) (Note 2)	75.00%

Notes:

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

Save as disclosed above, as at 31 January 2018, 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.

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 2018, 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	24,000,000 (L) (<i>Note 2</i>)	75.00%

Notes:

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

Save as disclosed above, as at 31 January 2018, 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.

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 2018.

MODEL CODE FOR 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 2018.

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 2018 or at any time during the nine months ended 31 January 2018, 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 2018. There was also no contract of significance between the Company or one of the subsidiaries and the controlling shareholders or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the nine months ended 31 January 2018 and up to the date of this announcement, 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.

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 2018, save for the code provision A.2.1.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Group after the nine months ended 31 January 2018 and up to the date of this announcement.

DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 31 January 2018 (nine months ended 31 January 2017: nil).

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Anglo Chinese Corporate Finance, Limited (the "**Compliance Adviser**"), as at 31 January 2018, except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 18 July 2016, the Compliance Adviser nor its directors, employees or close associates had any interests in relation to the Company, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company set up an audit and risk management committee (the “**Audit and Risk Management Committee**”) on 21 February 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The duties of the Audit and Risk Management Committee are to review relationship with the Company’s external auditors, review the Company’s financial information, oversee the Company’s financial reporting system and internal control procedures and oversee the Company’s continuing connected transactions. The Audit and Risk Management Committee comprises all three independent non-executive Directors, namely Mr. Lai Kwok Hung, Alex, who is the chairman of the Audit and Risk Management Committee, Mr. Yeung Chuen Chow, Thomas and Mr. Cüneyt Bülent Bilâloğlu. The unaudited condensed consolidated financial statements of the Group for the nine months ended 31 January 2018 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 and Executive Director

Hong Kong, 16 March 2018

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 will remain on the “Latest Company Announcements” page of the website of GEM (www.hkgem.com) for at least seven days from its date of publication. This announcement will also be published on the website of the Company at www.jcfash.com.