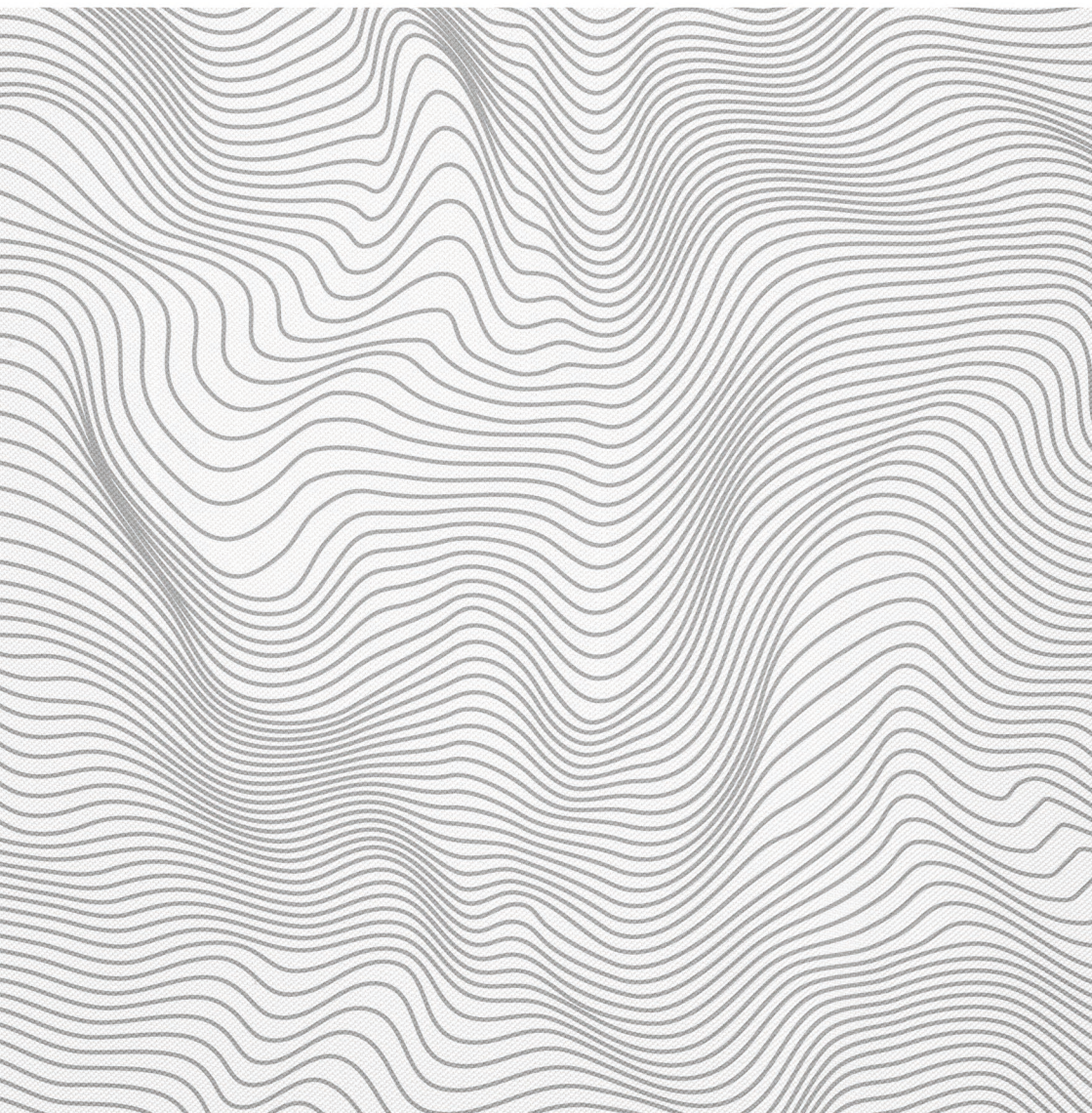


SG GROUP HOLDINGS LIMITED

樺欣控股有限公司

Incorporated in the Cayman Islands with limited liability
Stock Code: 8442

FIRST QUARTERLY REPORT **2018**



CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “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 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, 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 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 report 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 report misleading.



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

FOR THE THREE MONTHS ENDED 31 JULY 2018

The board of the Directors (the “Board”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 31 July 2018 (“Reporting Period”) together with the comparative unaudited figures for the corresponding period in 2017 are set out as follows:

		Three months ended 31 July	
	NOTES	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	41,567	47,235
Cost of sales and services		(30,460)	(35,809)
Gross profit		11,107	11,426
Other income		361	733
Other gains and losses, net		(1,625)	81
Administrative expenses		(4,887)	(2,134)
Selling and distribution expenses		(2,440)	(1,756)
Finance costs		(107)	(117)
Profit before taxation		2,409	8,233
Income tax expenses	4	(1,028)	(1,501)
Profit for the period		1,381	6,732
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(930)	–
Other comprehensive income for the period		(930)	–
Total comprehensive income for the period		451	6,732
Earnings per share			
– basic (Hong Kong dollars)	6	0.04	0.21

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 31 JULY 2018

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 (Note)	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 May 2017 (audited)	320	39,201	-	-	30,869	70,390
Profit and total comprehensive income for the period	-	-	-	-	6,732	6,732
At 31 July 2017 (unaudited)	320	39,201	-	-	37,601	77,122
At 1 May 2018 (audited)	320	39,201	65	641	54,355	94,582
Profit and total comprehensive income for the period	-	-	-	(930)	1,381	451
At 31 July 2018 (unaudited)	320	39,201	65	(289)	55,736	95,033

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

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

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 104A, 1st Floor, 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 design and sourcing services to branded fashion retailers and wholesalers, and the 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 Company and its subsidiaries are in Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial statements for the three months ended 31 July 2018 (the “Financial Statements”) have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Companies Ordinance (Cap.622 of the Laws of Hong Kong). Besides, the Financial Statements include applicable disclosures required by the GEM Listing Rules. The 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 preparation of the 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 Financial Statements are unaudited and have not been reviewed by the Group’s auditors but have been reviewed by the Company’s audit and risk management committee (“Audit and Risk Management Committee”).

The accounting policies applied in the preparation of the 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 2018. 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 six months ending 31 October 2018 and for the year ending 30 April 2019.

NOTES TO THE FINANCIAL STATEMENTS

3. REVENUE

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

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

	Three months ended 31 July	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Womenswear	33,377	37,392
Childrenswear	7,090	9,843
Supply of apparel products	40,467	47,235
Consultation services	1,100	–
	41,567	47,235

NOTES TO THE FINANCIAL STATEMENTS

3. REVENUE (CONTINUED)

Geographical information

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

	Three months ended 31 July	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue from external customers		
United Kingdom (the "UK")	30,527	40,887
Germany	9,399	4,490
Ireland	210	860
Hong Kong	1,116	–
Spain	11	–
Singapore	147	508
United States of America	157	162
Others	–	328
	41,567	47,235

NOTES TO THE FINANCIAL STATEMENTS

4. INCOME TAX EXPENSES

	Three months ended 31 July	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current tax		
Hong Kong Profits Tax	1,019	1,501
PRC Enterprise Income Tax ("EIT")	9	–
	1,028	1,501

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

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

5. DIVIDEND

No dividend was paid or proposed for the ordinary shareholders of the Company for the Reporting Period (three months ended 31 July 2017: Nil).

NOTES TO THE FINANCIAL STATEMENTS

6. EARNINGS PER SHARE

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

	Three months ended 31 July	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the period)	1,381	6,732
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	32,000	32,000

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an apparel designing and sourcing service provider for branded fashion retailers and wholesalers. The Group also provides consultation services to apparel and footwear manufacturers.

Supply of apparel products to branded fashion retailers and wholesalers

For the Reporting Period, the Group recorded a decrease in revenue of supply of apparel products of approximately 14.3% as compared with those for the corresponding period in 2017. Such decrease was mainly attributable to the decrease in sales to two major customers, of which was partly offset by the increase in sales to another major customer. To cope with the challenging global business environment, while the Group continuously provides customised comprehensive services through efficient comprehensive apparel designing and sourcing services from design to delivery processes to the customers within a short lead time, it also enhances business exposure and performance by expanding showrooms to secure existing customers and strive for a growth in revenue.

Consultation services

The Group engaged its business in the provision of consultation services which generated revenue of approximately HK\$1.1 million during the Reporting Period. This segment mainly includes providing consultation services to apparel and footwear manufacturers by assisting them to comply with the corporate social responsibility standards requirements, providing fashion trend forecast analysis as well as design specification and introducing potential customers to them.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue decreased to approximately HK\$41.6 million for the Reporting Period from approximately HK\$47.2 million for the corresponding period in 2017, representing a decrease of approximately 12.0%. Such decrease in the Group's revenue was mainly attributable to the decrease in sales to two major customers, of which was partly offset by the increase in sales to another major customer.

Cost of sales and services

The Group's cost of sales and services primarily consists of cost of goods sold and services provided and other direct costs. The cost of sales and services decreased to approximately HK\$30.5 million for the Reporting Period from approximately HK\$35.8 million for the three months ended 31 July 2017, representing a decrease of approximately 14.9%. The Group's cost of sales decreased in line with the drop of sales of apparel products during the Reporting Period.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$11.1 million for the Reporting Period from approximately HK\$11.4 million for the three months ended 31 July 2017, representing a decrease of approximately 2.8%. The Group's gross profit margin was approximately 26.7% for the Reporting Period and approximately 24.2% for the three months ended 31 July 2017. The slight decrease in gross profit was mainly attributable to decrease in sales to two major customers, while the increase in gross profit margin was mainly attributable to the provision of fabric supply chain solutions which enable the Group to get a better price from two approved suppliers of apparel products during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Other gains and losses, net

The Group recorded other losses of approximately HK\$1.6 million for the Reporting Period, as compared to other gains of approximately HK\$0.1 million for the three months ended 31 July 2017. Such losses were mainly due to foreign exchange loss as a result of the depreciation of Great British Pound (“GBP”) to US\$ as the Group had a significant amount of bank deposits of HK\$30.4 million denominated in GBP as at 31 July 2018. The Group is in the process of setting up a comprehensive foreign currency risk management policy that the Group may adopt to manage the risks it faces. The Group will review such policy from time to time.

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\$4.9 million for the Reporting Period from approximately HK\$2.1 million for the three months ended 31 July 2017, representing an increase of approximately 129.0%. The increase in the Group’s administrative expenses was mainly related to the increase in professional fees of approximately HK\$2.2 million incurred during the Reporting Period.

Selling and distribution expenses

The Group’s selling and distribution expenses increased to approximately HK\$2.4 million for the Reporting Period from approximately HK\$1.8 million for the three months ended 31 July 2017, representing an increase of approximately 39.0%. The increase in the Group’s selling and distribution expenses was mainly due to the additional freight charges of approximately HK\$0.6 million relating to additional freight cost to one major customer of the Group of which requests shipping terms of the Delivery-Duty-Paid during the Reporting Period while the shipping terms was Free-On-Board for the three months ended 31 July 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Profit and total comprehensive income

Profit and total comprehensive income decreased to approximately HK\$0.5 million for the Reporting Period from approximately HK\$6.7 million for the three months ended 31 July 2017. Such decrease was mainly attributable to the lower revenue and gross profit abovementioned, the other losses of approximately HK\$1.6 million mainly attributable to foreign exchange loss as a result of depreciation of GBP to US\$ as the Group had a significant amount of bank deposits of approximately HK\$30.4 million denominated in GBP as at 31 July 2018, and the increase in professional fees of approximately HK\$2.2 million incurred during the Reporting Period.

Basic earnings per share

The Company's basic earnings per share for the Reporting Period decreased to approximately HK\$0.04 from approximately HK\$0.21 for the three months ended 31 July 2017, representing a decrease of approximately HK\$0.17, or approximately 81.0%. Such decrease was in line with the decrease in the profit for the Reporting Period.

LIQUIDITY AND FINANCIAL RESOURCES

During the Reporting Period, the Group mainly financed its operations with its own working capital. As at 31 July 2018 and 30 April 2018, the Group had net current assets of approximately HK\$91.6 million and HK\$91.0 million respectively, including bank balances and cash of approximately HK\$59.3 million and HK\$62.7 million, respectively. The Group's current ratio (that is, total current assets divided by total current liabilities) increased from approximately 4.7 as at 30 April 2018 to approximately 5.7 as at 31 July 2018. Such increase was mainly due to the lower amount of purchase from suppliers during the Reporting Period.

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. The Group's gearing ratio was approximately 0.003 as at 31 July 2018 (30 April 2018: 0.004).

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES

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

COMMITMENTS

The Group's contractual commitments are 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\$3.6 million and HK\$3.9 million as at 31 July 2018 and 30 April 2018, respectively. The Group has unpaid capital commitments amounted to HK\$3.0 million as at 31 July 2018 (30 April 2018: Nil).

CAPITAL STRUCTURE

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

As at 31 July 2018 and 30 April 2018, the Company's issued share capital was HK\$320,000 divided into 32,000,000 Shares of HK\$0.01 each.

SIGNIFICANT INVESTMENTS

As at 31 July 2018 and 2017, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 July 2018 and 2017.

FOREIGN EXCHANGE EXPOSURE

As at 31 July 2018 and 2017, the Group exposed to foreign currency risk primarily related to HK\$ and GBP. As HK\$ is pegged to the functional currency of the Group, US\$, the Group does not expect significant exchange rate risk from HK\$. The management of the Group strives to change invoicing currency of sales from GBP to US\$ to minimise foreign exchange rate risk from fluctuation of GBP. The Group is in the process of setting up a comprehensive foreign currency risk management policy that the Group may adopt to manage the risks it faces. The Group will review such policy from time to time. The Group currently does not undertake any foreign currency hedge.

PLEDGE OF ASSETS

As at 31 July 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\$0.7 million (30 April 2018: HK\$0.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were 45 and 16 as at 31 July 2018 and 2017 respectively. The Group's employee benefit expenses mainly included salaries, wages, other staff benefits and contributions to retirement schemes. For the three months ended 31 July 2018 and 2017, the Group's total employee benefit expenses (including the Directors' emoluments) amounted to approximately HK\$1.5 million and HK\$1.5 million, respectively. The increase in number of staff in the PRC and the corresponding staff cost was off set by the resignation and retirement of some senior staff in Hong Kong. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance.

EVENTS AFTER THE REPORTING PERIOD

According to the announcement of the Group dated 11 September 2018, on 11 September 2018 (after trading hours), The Group had entered into an agreement with a company incorporated in Hong Kong with limited liability (the "Vendor"), pursuant to which the Group acquired a premises in Kwai Chung at a consideration of approximately HK\$14.4 million, which would be settled by the actual net proceeds from the GEM Listing raised by the Company to set up a showroom upon completion of the acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

The Group always strives to maintain the growth in the apparel designing and sourcing service industry and enhance the competitiveness and market share. With the increasing trend of global apparel retailing and online apparel retailing, the Group 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 the Group had entered into an agreement with the Vendor to acquire the premises in Kwai Chung in September 2018 for the purpose of setting up a new showroom. By setting up a large and better renovated showroom in Hong Kong, the Group will be able to display a full range of the apparel products and components, 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 expand the showroom in the UK to respond quickly to customers' demand and display more in-house designed collections. Apart from that, the Group is developing an online showroom since August 2018. The Directors believe that an online showroom is an enhancer for the Group which will speed up the design selection process by customers and attract more online retailers worldwide.

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

OTHER INFORMATION

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

As at 31 July 2018, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Name of Director	Nature of interest	Number of Shares held	Percentage of shareholding in the Company's issued share capital
Mr. Charles Choi (Note 1)	Interest in controlled corporation	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 75.00% of the issued share capital of the Company. Mr. Charles Choi is deemed, or taken to be interested in, all the Shares held by JC International for the purpose of the SFO.
2. The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at 31 July 2018, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

OTHER INFORMATION

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

So far as the Directors are aware, as at 31 July 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 of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Nature of interest	Number of Shares held	Percentage of shareholding in the Company's issued share capital
JC International (Note 1)	Beneficial owner	24,000,000 (L) (Note 2)	75.00%

Notes:

1. Mr. Charles Choi directly owns 100% of JC International, which in turn holds 75.00% of the issued share capital of the Company. Mr. Charles Choi is deemed, or taken to be interested in, all the Shares held by JC International for the purpose of the SFO.
2. The letter "L" denotes the person's long position in the Shares.

Save as disclosed above, as at 31 July 2018, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

OTHER INFORMATION

SHAREHOLDERS' INTERESTS IN SECURITIES OF SIGNIFICANCE

Other than the interests disclosed above in respect of the substantial shareholders, as at 31 July 2018, no other person is individually or collectively entitled to exercise or control the exercise of 5% or more of the voting power at the general meetings of the Company and are able, as a practicable manner, to direct or influence the management of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTOR'S SECURITIES TRANSACTIONS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

OTHER INFORMATION

COMPETING INTERESTS

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

CORPORATE GOVERNANCE

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

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

The Company complied with all code provisions in the CG Code during the Reporting Period, save for the code provision A.2.1.

DIVIDEND

The Board does not recommend the payment of a dividend for the Reporting Period (three months ended 31 July 2017: Nil).

OTHER INFORMATION

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Anglo Chinese Corporate Finance, Limited (the "Compliance Adviser"), as at 31 July 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 Audit and Risk Management Committee on 21 February 2017 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The duties of the Audit and Risk Management Committee are to review relationship with the Company's external auditors, review the Company's financial information, oversee the Company's financial reporting system and internal control procedures and oversee the Company's continuing connected transactions. The Audit and Risk Management Committee comprises all three independent non-executive Directors, namely Mr. Lai Kwok Hung, Alex, who is the chairman of the Audit and Risk Management Committee, Mr. Yeung Chuen Chow, Thomas and Mr. Cüneyt Bülent Bilâloğlu. The unaudited condensed consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit and Risk Management Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and adequate disclosures have been made.

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

Hong Kong, 12 September 2018

As at the date of this report, the executive Directors are Mr. Choi King Ting, Charles and Mr. Choi Ching Shing; and the independent non-executive Directors are Mr. Lai Kwok Hung, Alex, Mr. Yeung Chuen Chow, Thomas and Mr. Cüneyt Bülent Bilâloğlu.