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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 ANNUAL RESULTS FOR THE YEAR ENDED 30 APRIL 2017

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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 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 2017 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 2017

	<i>NOTES</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	4	165,803	158,838
Cost of sales and services		<u>(125,984)</u>	<u>(122,501)</u>
Gross profit		39,819	36,337
Other income		372	3,129
Other gains and losses, net		(4,271)	675
Administrative expenses		(6,030)	(4,847)
Selling and distribution expenses		(7,461)	(7,401)
Finance costs		(385)	(191)
Listing expenses		<u>(11,186)</u>	<u>(5,467)</u>
Profit before taxation		10,858	22,235
Income tax expenses	5	<u>(4,650)</u>	<u>(4,732)</u>
Profit and total comprehensive income for the year		<u>6,208</u>	<u>17,503</u>
Earnings per share - basic (Hong Kong dollars)	7	<u>0.25</u>	<u>0.73</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2017

	<i>NOTES</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		2,996	427
Deferred tax assets		14	27
		<hr/> 3,010	<hr/> 454
Current assets			
Inventories		1,913	1,812
Trade, bills and other receivables	8	18,429	26,530
Amount due from immediate holding company		–	9
Amount due from a related party		–	9
Bank balances and cash		59,000	15,854
		<hr/> 79,342	<hr/> 44,214
Current liabilities			
Trade and other payables	9	3,723	12,190
Amount due to the shareholder		–	10
Amount due to a director		–	1,432
Obligation under a finance lease		347	–
Tax payables		7,504	6,375
		<hr/> 11,574	<hr/> 20,007

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Net current assets	<u>67,768</u>	<u>24,207</u>
Total assets less current liabilities	<u>70,778</u>	<u>24,661</u>
Non-current liability		
Obligation under a finance lease	<u>388</u>	<u>–</u>
Net assets	<u>70,390</u>	<u>24,661</u>
Capital and reserves		
Share capital	320	– ⁺
Reserves	<u>70,070</u>	<u>24,661</u>
Total equity	<u>70,390</u>	<u>24,661</u>

+ Less than HK\$1,000

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2017

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 May 2015	– ⁺	–	12,655	12,655
Profit and total comprehensive income for the year	–	–	17,503	17,503
Effect of reorganisation (note 2(b) and 2(c))	– ⁺	–	–	– ⁺
Dividend (note 6)	–	–	(5,497)	(5,497)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 2016	– ⁺	–	24,661	24,661
Profit and total comprehensive income for the year	–	–	6,208	6,208
Capitalisation issue	240	(240)	–	–
Issue of new shares upon listing	80	45,920	–	46,000
Cost of issuance of shares	–	(6,479)	–	(6,479)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 2017	<u>320</u>	<u>39,201</u>	<u>30,869</u>	<u>70,390</u>

⁺ Less than HK\$1,000

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 shares of the Company have been listed on the GEM of the Stock Exchange since 21 March 2017.

The address of the registered office and the principal place of business of the Company is Unit 2, 3rd 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 fashion retailers and provision of consultation services.

The 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 is in Hong Kong.

2. REORGANISATION AND BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

Historically, all the entities comprising the Group were controlled directly or indirectly by Mr. Choi King Ting Charles (“Mr. Charles Choi”), who is the controlling shareholder of the Company. In preparation for the listing of the Company’s shares on the Stock Exchange, the entities now comprising the Group underwent a group reorganisation (the “Reorganisation”) to enable the Company to become the holding company of the Group which involved the following major steps:

- (a) On 5 October 2015, JC Fashion International Group Limited (“JC International”), the Company’s immediate holding company, not forming part of the Group was incorporated in the British Virgin Islands (“BVI”) as a BVI business company with limited liability authorised to issue a maximum of 50,000 shares of a single class with no par value. On the same day, 1 ordinary share with no par value, representing 100% of its then issued share capital, was allotted and issued to Mr. Charles Choi.
- (b) On 8 October 2015, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 shares with par value of HK\$0.01 each. On the same date, one share with par value of HK\$0.01 was allotted and issued to the initial subscriber of the Company, which was transferred to JC International on 14 October 2015.

- (c) On 15 January 2016, the Company acquired 10 ordinary shares with par value of US\$1.00 each of JC Fashion Group Limited (“JC BVI”), representing its then entire issued share capital, from Mr. Charles Choi, being its ultimate beneficial shareholder, for the consideration of 99 shares in the Company to JC International. JC BVI, being the holding company of the Group’s operating subsidiaries, became a wholly-owned subsidiary of the Company.

Pursuant to the Reorganisation detailed above, the Company became the holding company of the companies now comprising the Group on 15 January 2016. Its immediate and ultimate holding company is JC International, a company incorporated in BVI which Mr. Charles Choi is the ultimate controlling party. Since the Company and its subsidiaries have been under the common control of Mr. Charles Choi before and after the Reorganisation and since their respective date of incorporation, where there is a shorter period, the Group resulting from the Reorganisation is regarded as a continuing entity. For the purposes of the presentation of the financial information, the acquisition stated above is accounted for as a reorganisation of entities under common control by applying the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting” for Common Control Combinations. Accordingly, the financial information has been prepared on the basis as if the Company had always been the holding company of the Group.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows which include the results, changes in equity and cash flows of the companies now comprising the Group for the year ended 30 April 2016 have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the year ended 30 April 2016, or since the respective dates of incorporation of the relevant entity, where this is a shorter period.

The consolidated statement of financial position as at 30 April 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates, taking into account the respective date of incorporation of the relevant entity, where applicable.

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

The Group has consistently adopted all HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) which are effective for annual periods beginning on 1 May 2016.

New and amendments to HKFRSs and an interpretation issued but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
HK(IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration ¹
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
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 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴
Amendments to HKAS 40	Transfers of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 - 2016 Cycle ⁵

¹ Effective for annual periods beginning on or after 1 January 2018

² Effective for annual periods beginning on or after 1 January 2019

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 2017

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedger accounting and impairment requirements for financial assets.

Key requirement of HKFRS 9 which is relevant to the Group are described below:

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 30 April 2017, application of HKFRS 9 in the future may have an impact on the measurement of the Group's financial assets. The expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

Except as described above, the Directors of the Company anticipate that the application of other new and amendments to HKFRSs and the interpretation will have no material impact on the group’s consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on supply of apparel products and provision of consultation services for year ended 30 April 2017.

The Group determines its operating segments based on the reports reviewed by the executive directors, being the chief operating decision maker (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 consulting services. In the past, the Group’s operating segments were classified by the nature of the sales channel including (i) online fashion retailers and; (ii) fashion retailers, based on the nature of the operations carried out by the Group. During the current year, the Group has extended its operation in the provision of consultation services to apparel and footwear manufacturers (the “Manufacturers”). The CODM considers that commencing from the current year, such business operation will form part of the Group’s major ordinary businesses and as a result, has classified consultation services as a separate reporting segment for the year ended 30 April 2017. Comparative figures in the prior year have also been restated to conform to the current year’s presentation. 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 four customers namely ASOS.com Limited (“ASOS”), Lost Ink Ltd, zLabels GmbH (“Zalando”) and International Brands Company (2016: three customers namely ASOS, LLC Kupishoes and Zalando). |
| (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 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 revenues and results

For the year ended 30 April 2017

	Online fashion retailers HK\$'000	Fashion retailers HK\$'000	Subtotal HK\$'000	Consultation services HK\$'000	Consolidated HK\$'000
Segment revenue	<u>60,774</u>	<u>101,731</u>	<u>162,505</u>	<u>3,298</u>	<u>165,803</u>
Segment profit	<u>14,470</u>	<u>19,934</u>	<u>34,404</u>	<u>2,482</u>	36,886
Unallocated losses					(4,019)
Unallocated expenses					(10,792)
Unallocated finance costs					(31)
Listing expenses					<u>(11,186)</u>
Profit before taxation					<u>10,858</u>

For the year ended 30 April 2016 (restated)

	Online fashion retailers HK\$'000	Fashion retailers HK\$'000	Subtotal HK\$'000	Consultation services HK\$'000	Total HK\$'000	Reconciliation HK\$'000 (Note)	Consolidated HK\$'000
Segment revenue	<u>43,905</u>	<u>114,933</u>	<u>158,838</u>	<u>1,900</u>	<u>160,738</u>	<u>(1,900)</u>	<u>158,838</u>
Segment profit	<u>8,786</u>	<u>23,155</u>	<u>31,941</u>	<u>1,773</u>	<u>33,714</u>	<u>-</u>	<u>33,714</u>
Unallocated income							212
Unallocated gain							1,449
Unallocated expenses							(7,659)
Unallocated finance costs							(14)
Listing expenses							<u>(5,467)</u>
Profit before taxation							<u>22,235</u>

Note: The adjustment reflects the reconciliation of revenue from the reportable and operating segments to the Group's consolidated revenue as the revenue from consultation services was accounted for under other income in the consolidated statement of profit or loss and other comprehensive income.

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, finance costs, exchange losses and income tax expenses. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

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

Revenue by type of products/services

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Womenswear:		
Online Fashion Retailers	60,774	43,905
Fashion Retailers	75,631	92,831
	<u>136,405</u>	<u>136,736</u>
Childrenswear:		
Fashion Retailers	26,100	22,102
Consultation services	3,298	–
	<u>165,803</u>	<u>158,838</u>

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 the customers, irrespective of the origin of the goods and the location of provision of services, are detailed below:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue from external customers		
United Kingdom	151,814	146,658
Others		
– Ireland	4,591	4,475
– Hong Kong	3,298	–
– Spain	2,836	–
– Germany	1,394	–
– United States of America	1,870	2,579
– Russia	–	4,934
– Sweden	–	192
	<u>13,989</u>	<u>12,180</u>
	<u>165,803</u>	<u>158,838</u>

All non-current assets (exclude deferred tax assets) are located in Hong Kong.

5. INCOME TAX EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
The charge comprises:		
Current tax	4,637	4,841
Overprovision in prior years	–	(20)
Deferred tax expense (credit)	13	(89)
	<u>4,650</u>	<u>4,732</u>

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

6. DIVIDEND

No dividend was paid or proposed for the ordinary shareholders of the Company during the year ended 30 April 2017, nor has any dividend been proposed since the end of the reporting period.

During the year ended 30 April 2016, the Company distributed interim dividends of HK\$54,970 per ordinary share, in an aggregate amount of HK\$5,497,000 to JC International, its sole shareholder, after the Reorganisation.

7. EARNINGS PER SHARE

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Earnings:		
Earnings for the purpose of calculating basic earnings per share (profit for the year)	<u>6,208</u>	<u>17,503</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>24,899</u>	<u>24,000</u>

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

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 and the capitalisation issue had been effective on 1 May 2015.

8. TRADE, BILLS AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	16,494	14,284
Less: Allowance for doubtful debts	<u>(259)</u>	<u>–</u>
	16,235	14,284
 Bills receivables	 <u>457</u>	 <u>1,638</u>
	16,692	15,922
Other receivables		
– Deposits and prepayments	1,218	622
– Deferred listing expense	–	1,632
– Others	<u>519</u>	<u>8,354</u>
 Total trade, bills and other receivables	 <u>18,429</u>	 <u>26,530</u>

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

The following is an aged analysis of trade and bill receivables presented based on the invoice date at the end of each reporting period, which approximate the revenue recognition dates:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 60 days	12,284	12,066
61 to 180 days	3,636	2,430
181 to 365 days	415	947
Over 365 days	<u>357</u>	<u>479</u>
	<u>16,692</u>	<u>15,922</u>

The management of the Group closely monitors the credit quality of trade and bill receivables and considers the debts that are neither past due nor impaired are of a good credit quality. Before accepting any new customer, the Group has assessed the potential customer's credit quality and defined credit rating limits for each customer. Limits attributed to customers are reviewed once a year. Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no history of default.

9. TRADE AND OTHER PAYABLES

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	1,047	7,812
Other payables	311	178
Deposits received from customers	112	886
Accrued expenses	2,049	3,218
Receipts in advance from customers	204	96
	<hr/>	<hr/>
Total trade and other payables	<u>3,723</u>	<u>12,190</u>

The credit period of trade payables is from 30 to 90 days.

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 60 days	856	6,488
61 to 180 days	191	1,157
181 to 365 days	–	139
Over 365 days	–	28
	<hr/>	<hr/>
	<u>1,047</u>	<u>7,812</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is an apparel designing and sourcing service provider for branded fashion retailers. The revenue for the year ended 30 April 2017 was derived from the supply of approval 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 year ended 30 April 2017, the Group recorded increases in revenue of approximately 2.3% and gross profit of approximately 2.8% as compared with those for the year ended 30 April 2016. 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 continued to engage its business in the provision of consultation services which generated profit of approximately HK\$2.5 million during the year ended 30 April 2017. 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 of the Company (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 will utilise such net proceeds in accordance with the business strategies as set out in the Company’s prospectus (the “Prospectus”) dated 28 February 2017. Further details are set out in the section headed “Use of Proceeds” in this announcement.

FINANCIAL REVIEW

Revenue

The Group’s revenue increased to approximately HK\$165.8 million for the year ended 30 April 2017 from approximately HK\$158.8 million for the year ended 30 April 2016, representing an increase of approximately 4.4%. Such an increase in the Group’s revenue was mainly attributable to the increase in sales orders from new customers, quantity of sales orders from existing customers and the new business segment as the Group began to include the provision of consultation services as part of the Group’s major ordinary businesses.

Cost of sales and services

The Group’s cost of sales and services primarily consists of cost of goods sold and services provided, employee benefit expenses and other direct costs. The cost of sales and services increased to approximately HK\$126.0 million for the year ended 30 April 2017 from approximately HK\$122.5 million for the year ended 30 April 2016, representing an increase of approximately 2.8%. The Group’s cost of sales and services increased along with the growth in revenue for the year ended 30 April 2017.

Gross profit and gross profit margin

The Group’s gross profit increased to approximately HK\$39.8 million for the year ended 30 April 2017 from approximately HK\$36.3 million for the year ended 30 April 2016, representing an increase of approximately 9.6%. The Group’s gross profit margin was approximately 24.0% for the year ended 30 April 2017 and approximately 22.9% for the year ended 30 April 2016. The increase in gross profit margin was mainly attributable to the inclusion of consultation business as a main business of the Group for the year ended 30 April 2017, while the Group maintained a similar gross profit in supply of apparel products to online fashion retailers and fashion retailers for the year ended 30 April 2017 as compared to that for the year ended 30 April 2016.

Other gains and losses, net

The Group recorded other losses of approximately HK\$4.3 million for the year ended 30 April 2017, as compared to other gains of approximately HK\$0.7 million for the year ended 30 April 2016. Such losses were mainly attributable to the depreciation of Great British Pound (“GBP”) in relation to the Brexit Referendum in the United Kingdom (the “UK”).

Selling and distribution expenses

The Group’s selling and distribution expenses increased to approximately HK\$7.5 million for the year ended 30 April 2017 from approximately HK\$7.4 million for the year ended 30 April 2016, representing an increase of approximately 0.8%. The increase in the Group’s selling and distribution expenses was in line with the increase of revenue for the year ended 30 April 2017.

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\$6.0 million for the year ended 30 April 2017 from approximately HK\$4.8 million for the year ended 30 April 2016, representing an increase of approximately 24.4%. Such an increase was mainly due to the increase in professional fees for compliance purpose after listing and rent and rates as the Group moved to a new and larger showroom in the UK in June 2016.

Profit and total comprehensive income attributable to owners of the Company

Profit and total comprehensive income attributable to owners of the Company decreased to approximately HK\$6.2 million for the year ended 30 April 2017 from approximately HK\$17.5 million for the year ended 30 April 2016, representing a decrease of approximately 64.5%. Such decrease was mainly attributable to the increase in non-recurring listing expenses by approximately HK\$5.7 million and the recognition of foreign exchange losses of HK\$4.0 million due to the depreciation of GBP during the year ended 30 April 2017, which diluted the positive effect of the increase in revenue brought to the Group for the same period.

Basic earnings per Share

The Company's basic earnings per Share for the year ended 30 April 2017 was approximately HK\$0.25 (30 April 2016: HK\$0.73), representing a decrease of approximately HK\$0.48, or approximately 65.8%, which is in line with the profit and total comprehensive income attributable to owners of the Company for the year ended 30 April 2017, as compared to that for year ended 30 April 2016.

LIQUIDITY AND FINANCIAL RESOURCES

During the year ended 30 April 2017, the Group mainly financed its operations with its own working capital. As at 30 April 2017 and 2016, the Group had net current assets of approximately HK\$67.8 million and HK\$24.2 million respectively, including cash and bank balances of approximately HK\$59.0 million and HK\$15.9 million respectively. The Group's current ratio (current assets divided by current liabilities) increased from approximately 2.2 as at 30 April 2016 to approximately 6.9 as at 30 April 2017. Such an increase was mainly because of the faster payment to suppliers, the repayment of related parties, outstanding balances and the large amount of cash proceeds raised from the Share Offer during the year ended 30 April 2017.

Gearing ratio is calculated by dividing total debts by total equity as at the end of the reporting period. No gearing ratio was calculated as at 30 April 2016, while the Group's gearing ratio was approximately 0.01 as at 30 April 2017.

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 and the UK. The Group's operating lease commitments amounted to approximately HK\$0.6 million and HK\$0.5 million as at 30 April 2017 and 2016 respectively. As at 30 April 2017 and 30 April 2016, 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 30 April 2017, 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 2017 and 2016, 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 30 April 2017, 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 30 April 2017 and 2016.

FOREIGN EXCHANGE EXPOSURE

As at 30 April 2017 and 2016, 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 exchange rate risk from fluctuation of GBP. The Group does not undertake any foreign currency hedge currently.

PLEDGE OF ASSETS

As at 30 April 2017, 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\$1.0 million (30 April 2016: N/A).

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were 17 and 17 as at 30 April 2017 and 2016 respectively. The Group's employee benefit expenses mainly included salaries, wages, other staff benefits and contributions to retirement schemes. For the years ended 30 April 2017 and 2016, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$5.0 million and HK\$4.8 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.

USE OF PROCEEDS

The Shares have been successfully listed on GEM on the Listing Date. The actual net proceeds from the Share Offer, 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 21 February 2017 to 31 October 2020 (the "Period") but with monetary adjustments to each business strategic plan on a pro-rata basis. As the Share Offer was completed after 31 August 2016, the estimated use of proceeds for the period ended 31 August 2016 as stated in the Prospectus would be foregone. The table below sets out an adjusted allocation and the actual use of the Actual Net Proceeds for the year ended 30 April 2017.

Business strategies as set out in the Prospectus	Adjusted allocation of the Actual Net Proceeds For the year ended 30 April 2017 HK\$'000	Actual use of the Actual Net Proceeds HK\$'000
Further strengthening the relationships with our existing customers and developing relationships with new customers	27,464	Nil
Further strengthening our design and development capabilities to enhance our business model	4,703	Nil
Expanding the geographical base of the third-party suppliers and diversifying our supplier base	5,191	Nil
Enhancing our corporate image to attract customer attention	2,662	Nil
General working capital	4,392	Nil
	<hr/>	<hr/>
Total	44,412	Nil
	<hr/>	<hr/>

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 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 the important market, 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 additional experienced in-house designers and more external consultants to strengthen the design and development capabilities as well as the consultation services in order to offer different design style of apparel products and create more in-house designed collections in the future. In addition, the Group has established a subsidiary as an office for sourcing and quality assurance services in the People's Republic of China (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 design and sourcing services to attract new customers in different market 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

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

Save for the listing of the Shares on GEM on the Listing Date, 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 year ended 30 April 2017.

MODEL CODE FOR DIRECTORS' 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 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 period from the Listing Date to the year ended 30 April 2017.

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 2017 or at any time during the year ended 30 April 2017, 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 year ended 30 April 2017. 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 ended 30 April 2017 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) were considered to have any interests in a business which competed or was likely to complete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause any other conflicts of interest with the Group, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

NON-COMPETITION UNDERTAKING

The Company confirms that the non-competition undertaking of Mr Choi King Ting, Charles (“Mr. Charles Choi”) and JC Fashion International Group Limited (“JC International”), details of which were set out in the Prospectus, has been fully complied and enforced since the Listing Date and up to 30 April 2017. The Board also confirms that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the Shareholders and the potential investors of the Company.

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 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, 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 period from the Listing Date to 30 April 2017, save for code provision A.2.1.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group mainly carries out its businesses in Hong Kong. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Group has complied with all relevant laws and regulations in Hong Kong for the year ended 30 April 2017.

The Group also complies with the requirements under the Company Law (2013 Revision) of the Cayman Islands, the GEM Listing Rules and Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) 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, etc.

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

The Group also maintains effective communication and develops a long-term trust relationship with the suppliers. During the year ended 30 April 2017, there was no material dispute or disagreement between the Group and its suppliers.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Group after the year ended 30 April 2017 and up to the date of this announcement.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 30 April 2017.

REVIEW OF ANNUAL RESULTS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 April 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Anglo Chinese Corporate Finance Limited (the "Compliance Adviser"), as at 30 April 2017, 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 has 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 audited consolidated financial statements of the Group for the year ended 30 April 2017 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, 17 July 2017

As at the date of this announcement, the executive Directors are Mr. Charles Choi 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.