SG GROUP HOLDINGS LIMITED
樺欣控股有限公司

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

INTERIM REPORT 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.

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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 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; (2) there are no other matters the omission of which would make any statement herein or this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Supply of apparel products to branded fashion retailers and wholesalers

For the six months ended 31 October 2018, the Group's revenue from the supply of apparel products increased by approximately 4.4% while its gross profit decreased by approximately 9.7% as compared with those for the corresponding period in 2017. Such increase in revenue was mainly due to the increase in sales generated from a new major customer. The Group has diversified its customer base geographically and has successfully developed relationships with a new major customer in order to better handle the challenging business environment.

The main reason for a decrease in gross profit for the period was the Group offered competitive pricing for a new major customer, which diluted the effect of sales with higher gross profit margin by providing fabric supply by the Group to two of its approved suppliers which enables the Group to obtain relatively lower prices from these two approved suppliers of apparel products.

Consultation services

The Group continued to engage its business in the provision of consultation services which generated revenue of approximately HK$2.9 million during the six months ended 31 October 2018, as compared to revenue of approximately HK$1.7 million during the corresponding period of 2017, representing an increase of approximately 70.6%. This segment mainly includes providing consultation services to shirts and footwear manufacturers which include assisting them to comply with corporate social responsibility standards requirements, providing fashion trend forecast analysis as well as design specification and introducing potential customers to them.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased to approximately HK$96.7 million for the six months ended 31 October 2018 from approximately HK$91.5 million for the six months ended 31 October 2017, representing an increase of approximately 5.7%. Such an increase in the Group's revenue was mainly attributable to the increase in sales generated from a new 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 increased to approximately HK$73.8 million for the six months ended 31 October 2018 from approximately HK$68.1 million for the six months ended 31 October 2017, representing an increase of approximately 8.4%. The Group's cost of sales and services increased along with the growth in revenue for the six months ended 31 October 2018.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK$22.9 million for the six months ended 31 October 2018 from approximately HK$23.5 million for the six months ended 31 October 2017, representing a decrease of approximately 2.6%. The Group's gross profit margin was approximately 23.7% for the six months ended 31 October 2018 and approximately 25.7% for the six months ended 31 October 2017.

The Group offered competitive pricing for a new major customer, which diluted the effect of sales with higher gross profit margin by providing fabric supply by the Group to two of its approved suppliers which enables the Group to obtain relatively lower prices from these two approved suppliers of apparel products.

FINANCIAL REVIEW (CONTINUED)

Other losses

The Group recorded other losses of approximately HK$3.6 million for the six months ended 31 October 2018, as compared to other losses of approximately HK$0.2 million for the six months ended 31 October 2017. The increase of other losses was mainly attributable to (i) the foreign exchange losses during the six months ended 31 October 2018; and (ii) impairment loss in respect of trade receivable for the six months ended 31 October 2018.

Selling and distribution expenses

The Group's selling and distribution expenses increased to approximately HK$4.7 million for the six months ended 31 October 2018 from approximately HK$3.9 million for the six months ended 31 October 2017, representing an increase of approximately 20.5%. The increase in the Group's selling and distribution expenses mainly due to the increase in freight charges relating to the additional freight cost to one major customer for the shipping terms of the Delivery-Duty-Paid orders for the six months ended 31 October 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$5.0 million for the six months ended 31 October 2018 from approximately HK$4.5 million for the six months ended 31 October 2017, representing an increase of approximately 11.1%. Such an increase was mainly due to the increase in general office expenses in a subsidiary as the Group had expanded its operations in the PRC since August 2017.

FINANCIAL REVIEW (CONTINUED)

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$2.1 million for the six months ended 31 October 2018 from approximately HK$12.1 million for the six months ended 31 October 2017, representing a decrease of approximately 82.6%. Such decrease was mainly attributable to the net effect of the increase in selling and distribution expenses by approximately HK$0.8 million, the increase in non-recurring professional fee in relation to transfer of listing by approximately HK$5.1 million and the increase in foreign exchange losses by HK$2.5 million due to the depreciation of GBP during the six months ended 31 October 2018.

The underlying performance of the Group is better reflected by adjusting the profit and total comprehensive income attributed to owners of the Company for the abovementioned non-recurring professional fee in relation to transfer of listing of approximately HK$5.1 million, which was incurred during the six months ended 31 October 2018. This resulted in an adjusted profit and total comprehensive income attributed to owners of the Company of approximately HK$7.2 million for the six months ended 31 October 2018 representing a decrease of approximately 40.5% compared to the adjusted profit and total comprehensive income attributed to owners of the Company for the six months ended 31 October 2017.

Basic earnings per share

The Company's basic earnings per share for the six months ended 31 October 2018 was approximately HK$0.10 (six months ended 31 October 2017: HK$0.38), representing a decrease of approximately HK$0.28, or approximately 73.7%, which is in line with the profit and total comprehensive income attributable to owners of the Company for the six months ended 31 October 2018, as compared to that for the six months ended 31 October 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 31 October 2018, the Group mainly financed its operations with its own working capital. As at 31 October 2018 and 30 April 2018, the Group had net current assets of approximately HK$72.7 million and HK$91.0 million, respectively, including cash and bank balances of approximately HK$39.1 million and HK$62.7 million, respectively. The Group's current ratio (current assets divided by current liabilities) decreased from approximately 4.7 as at 30 April 2018 to approximately 3.1 as at 31 October 2018. Such a decrease was mainly because of the large increase in trade and other payables for the six months ended 31 October 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 0.002 as at 31 October 2018 (30 April 2018: 0.004).

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$3.0 million and HK$3.9 million as at 31 October 2018 and 30 April 2018, respectively.

As at 31 October 2018, the Group had capital commitments contracted for but not provided in the unaudited condensed consolidated financial statements amounted to approximately HK$1.0 million (30 April 2018: the Group did not have any significant capital commitments). Such commitments related to acquisition of intangible asset of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

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

As at 31 October 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 six months ended 31 October 2018, the Group did not hold any significant investments (six months ended 31 October 2017: nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

One of a direct wholly-owned subsidiaries of the Company has completed an acquisition of a premises located in Kwai Chung in October 2018 for the purpose of setting up a new showroom.

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 October 2018 (30 April 2018: nil).

FOREIGN EXCHANGE EXPOSURE

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

PLEDGE OF ASSETS

As at 31 October 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$0.6 million (30 April 2018: HK$0.8 million).

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were 43 and 37 as at 31 October 2018 and 31 October 2017, respectively. The Group's employee benefit expenses mainly included salaries, wages, other staff benefits and contributions to retirement schemes. For the six months ended 31 October 2018 and 31 October 2017, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK$2.4 million and HK$3.0 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS STRATEGICS WITH ACTUAL BUSINESS PROGRESS

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

Business strategies as stated in the Prospectus	Actual business progress up to the date of this report
Further strengthening the relationships with the Group's existing customers and developing relationships with new customers	– Acquired a premises for setting up a flagship showroom in Hong Kong with planned budget – Online platform expects to be implemented during the year ending 30 April 2019 – Not yet identified a suitable candidate for the recruitment of a sales manager in Hong Kong with planned budget
Further strengthening the design and development capabilities of the Group to enhance its business model	– Planning to recruit additional experienced in-house designers and more external design consultants
Expanding the geographical base of the third-party suppliers and diversifying the supplier base	– Established two PRC subsidiaries as sourcing offices in the PRC
Widening product offerings of the Group	– Received the first order for knitwear apparel products in May 2017
Enhancing the Group's corporate image to attract customer attention	– Planning to participate in trade shows to be held in the UK and Europe to approach potential customers in the second and third quarters of the year ending 30 April 2019

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 but with monetary adjustments to each business strategic plan on a pro-rata basis. The table below sets out an adjusted allocation of the Actual Net Proceeds, the actual usage of the Actual Net Proceeds and the unutilised Actual Net Proceeds as at 31 October 2018.

Business strategies as set out in the Prospectus	Adjusted allocation of the Actual Net Proceeds HK$'000	Actual usage of the Actual Net Proceeds as at 31 October 2018 HK$'000	Unutilised Actual Net Proceeds as at 31 October 2018 HK$'000
Further strengthening the relationships with our existing customers and developing relationships with new customers	**27,464**	**18,434**	**9,030**
Further strengthening our design and development capabilities to enhance our business model	**4,703**	**1,526**	**3,177**
Expanding the geographical base of the third-party suppliers and diversifying our supplier base	**5,191**	**3,503**	**1,688**
Enhancing our corporate image to attract customer attention	**2,662**	**4**	**2,658**
General working capital	**4,392**	**3,568**	**824**
Total	**44,412**	**27,035**	**17,377**

FUTURE PROSPECTS

The Group's comprehensive designing and sourcing services along the apparel supply chain which include design and development, sourcing of suppliers, production and logistics management and quality assurance face increasingly uncertainties arising from headwinds in the UK's referendum decision to leave the European Union as and an increasing interest rate environment and downward pressures on the global economy.

The Group has been able to expand its customer base geographically and has successfully developed relationships with a new customer.

With the completion of acquisition of the premises in Kwai Chung in October 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.

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

The Company has submitted a formal application to the Stock Exchange in late September 2018 for the Proposed Transfer of Listing from GEM to the Main Board. The Board believes that, if materialised, the listing of the Shares on the Main Board will further enhance the profile of the Group, strengthen its recognition among public investors and customers and be beneficial to the financing flexibility and future business development of the Group.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

OTHER INFORMATION

DIRECTORS' AND CHIEF 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 October 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.

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

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

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

Save as otherwise disclosed in this report, at no time during the six months ended 31 October 2018 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and the chief executive, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

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 October 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% 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 October 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.

OTHER INFORMATION

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 six months ended 31 October 2018.

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 six months ended 31 October 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 six months ended 31 October 2018 or at any time during the six months ended 31 October 2018, 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 six months ended 31 October 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 six months ended 31 October 2018 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 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.

OTHER INFORMATION

NON-COMPETITION UNDERTAKING

The Company confirms that the non-competition undertaking of Mr. Charles Choi and JC International (details of which were set out in the Prospectus) has been fully complied and enforced since the Listing Date and up to 31 October 2018. 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 the code provisions in the CG Code during the six months ended 31 October 2018, save for code provision A.2.1.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Group after the six months ended 31 October 2018 and up to the date of this report.

OTHER INFORMATION

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 October 2018 (six months ended 31 October 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 October 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 (as defined in the GEM Listing Rules) had any interests in relation to the Company or any members of the Group (including options or rights to subscribe for such securities), 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 unaudited condensed consolidated financial statements of the Group for the six months ended 31 October 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 and that it does not have any disagreement with the accounting treatment adopted by the Company.

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

FOR THE THREE MONTHS AND SIX MONTHS ENDED 31 OCTOBER 2018

The board of directors (the "Board") of SG Group Holdings Limited (the "Company") announces that the unaudited interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 October 2018, together with the comparative figures for the corresponding period in 2017, are as follows:

		Three months ended 31 October		Six months ended 31 October	
	NOTES	**2018 HK$'000 (unaudited)**	2017 HK$'000 (unaudited)	**2018 HK$'000 (unaudited)**	2017 HK$'000 (unaudited)
Revenue	4	**55,132**	43,710	**96,699**	91,545
Cost of sales and services		**(43,290)**	(31,968)	**(73,750)**	(68,061)
Gross profit		**11,842**	11,742	**22,949**	23,484
Other income		**217**	147	**578**	280
Other losses	5	**(1,967)**	(294)	**(3,592)**	(213)
Administrative expenses		**(2,569)**	(2,623)	**(4,983)**	(4,519)
Selling and distribution expenses		**(2,300)**	(2,164)	**(4,740)**	(3,874)
Finance costs		**(58)**	(37)	**(165)**	(154)
Professional fee in relation to transfer of listing		**(2,662)**	–	**(5,135)**	–
Profit before taxation	6	**2,503**	6,771	**4,912**	15,004
Income tax expense	7	**(765)**	(1,395)	**(1,793)**	(2,896)
Profit for the period		**1,738**	5,376	**3,119**	12,108
Other comprehensive income (expenses) for the period					
Item that may be reclassified subsequently to profit or loss					
Exchange difference arising on translation of financial statements of foreign operations		**(106)**	31	**(1,036)**	31
Other comprehensive income (expenses) for the period		**(106)**	31	**(1,036)**	31
Total comprehensive income for the period		**1,632**	5,407	**2,083**	12,139
Earnings per share – basic (Hong Kong dollars)	9	**0.05**	0.17	**0.10**	0.38

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2018

	NOTES	31 October 2018 HK$'000 (unaudited)	30 April 2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	10	**18,925**	3,699
Deposit paid for acquisition of intangible asset	11	**2,000**	–
Deferred tax assets		**532**	–
		21,457	3,699
Current assets			
Inventories		**2,717**	1,995
Trade, bills and other receivables	11	**66,288**	50,632
Bank balances and cash		**39,140**	62,658
		108,145	115,285
Current liabilities			
Trade and other payables	12	**31,081**	18,387
Contract liabilities	13	**338**	–
Obligation under a finance lease	14	**211**	358
Tax payables		**3,776**	5,581
		35,406	24,326
Net current assets		**72,739**	90,959
Total assets less current liabilities		**94,196**	94,658
Non-current liabilities			
Obligation under a finance lease	14	**–**	30
Deferred tax liabilities		**–**	46
		–	76
Net assets		**94,196**	94,582
Capital and reserves			
Share capital	15	**320**	320
Reserves		**93,876**	94,262
Total equity		**94,196**	94,582

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 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	–	–	–	31	12,108	12,139
At 31 October 2017 (unaudited)	320	39,201	–	31	42,977	82,529
At 30 April 2018 (audited)	**320**	**39,201**	**65**	**641**	**54,355**	**94,582**
Change in accounting policies (Note 3)	**–**	**–**	**–**	**–**	**(2,469)**	**(2,469)**
Restated total equity at 1 May 2018	**320**	**39,201**	**65**	**641**	**51,886**	**92,113**
Profit and total comprehensive expense for the period	**–**	**–**	**–**	**(1,036)**	**3,119**	**2,083**
At 31 October 2018 (unaudited)	**320**	**39,201**	**65**	**(395)**	**55,005**	**94,196**

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 OCTOBER 2018

	Six months ended 31 October	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash used in operating activities	**(5,228)**	(13,035)
Investing activities		
Interest received	**2**	73
Repayment from directors	**(2,000)**	–
Deposit paid for development of on-line showroom	**(15,550)**	(412)
Net cash used in investing activities	**(17,548)**	(339)
Financing activities		
Finance costs	**(182)**	(154)
Interest paid	**(160)**	(172)
Net cash used in financing activities	**(342)**	(326)
Net increase (decrease) in cash and cash equivalents	**(23,118)**	(13,700)
Cash and cash equivalents at beginning of the year	**62,658**	59,000
Effect of foreign exchange rate changes	**(400)**	22
Cash and cash equivalents at end of the year	**39,140**	45,322

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

The addresses of the head office and the principal place of business of the Company are 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 design and sourcing services to online fashion retailers and fashion retailers and wholesalers and the provision of consultation services.

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

2. BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Rules”).

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies as described below and resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 31 October 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 30 April 2018.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 May 2018 for the preparation of the Group's unaudited condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" in advance of the effective date, i.e. 1 January 2019.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of new and amendments to HKFRSs (continued)

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below. Except as disclosed in notes 3.1 and 3.2 below, the application of the new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior interim periods and/or disclosures set out in these unaudited condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Online Fashion Retailers – Supply of apparel products with designing and sourcing services to certain online fashion retailers.

- Fashion Retailers – Supply of apparel products with designing and sourcing services to fashion retailers other than "Online Fashion Retailers" as defined above.

- Consultation services – Income from provision of consultation services to shirt and footwear manufacturers which mainly include (a) assisting them to comply with corporate social responsibility standards requirements; (b) providing fashion trend forecast analysis; (c) design specification; and (d) introducing potential customers.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (continued)

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 May 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 May 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers” (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;

- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

In respect of revenue from online fashion retailers and fashion retailers, the Group recognises revenue at a point in time when the customer obtains control of the distinct good.

In respect of revenue from consultation services, the Group recognises revenue over time by reference to the progress towards complete satisfaction of the relevant performance obligation.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (continued)

3.1.2 Summary of effects arising from initial application of HKFRS 15

	30 April 2018 (originally stated)	Reclassification	1 May 2018 (restated)
	HK$'000	HK$'000	HK$'000
Trade and other payables	18,387	(72)	18,315
Contract liabilities	–	72	72

Note: As at 1 May 2018, deposits received and receipt in advance from customers of HK$72,000 in respect of apparel contracts previously included in trade and other payables were reclassified to contract liabilities for HK$72,000.

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments

In the current period, the Group has applied HKFRS 9 "Financial Instruments", Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the requirements for ECL retrospectively to instruments that have not been derecognised as at 1 May 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 May 2018. The difference between carrying amounts as at 30 April 2018 and the carrying amounts as at 1 May 2018 are recognised in the opening retained profits, without restating comparative information.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (continued)

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Measurement of financial assets

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment requirements under HKFRS 9 (including trade, bills and other receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Measurement of financial assets (continued)

Impairment under ECL model (continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” and the related amendments (continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Measurement of financial assets (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Measurement of financial assets (continued)

Significant increase in credit risk (continued)

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

Measurement of financial assets (continued)

Measurement and recognition of ECL (continued)

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 May 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 3.2.2.

3.2.2 Summary of effects arising from initial application of HKFRS 9

Below illustrates the measurement (including impairment) of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 May 2018.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (continued)

3.2.2 Summary of effects arising from initial application of HKFRS 9 (continued)

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 the current period, the Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. To measure the ECL, trade receivables have been determined based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of bills and other receivables and bank balances, are measured on 12m ECL basis and there has been no significant increase in credit risk since initial recognition.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (continued)

3.2.2 Summary of effects arising from initial application of HKFRS 9 (continued)

At 1 May 2018, the additional credit loss allowance of HK$2,469,000 has been recognised against retained profits. The additional loss allowance is charged against the trade receivables (excluding bills receivables). All loss allowances for trade receivables as at 30 April 2018 reconcile to the opening loss allowance as at 1 May 2018 is as follows:

	Trade receivables (excluding bills receivables) HK$'000
At 30 April 2018 – HKAS 39	39,386
Amounts remeasured through opening retained profits	(2,469)
At 1 May 2018	36,917

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

3.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments" and the related amendments (continued)

3.2.2 Summary of effects arising from initial application of HKFRS 9 (continued)

Impacts on opening unaudited condensed consolidated statement of financial position arising from the application of HKFRS 9. As a result of the changes in the entity's accounting policies above, the opening unaudited condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	30 April 2018 (originally stated)	**HKFRS 9**	**1 May 2018 (restated)**
	HK$'000	HK$'000	HK$'000
Trade, bills and other receivables	50,632	(2,469)	48,163
Retained profits	54,355	(2,469)	51,886

4. REVENUE AND SEGMENT INFORMATION

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

The Group determines its operating segments based on the reports reviewed by the executive directors, being the chief operating decision makers (the "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 fashion apparel retailers and wholesalers 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 three customers namely ASOS.com Limited ("ASOS"), Lost Ink Ltd., and zLabels GmbH ("Zalando") (six months ended 31 October 2017: five customers namely ASOS, Lost Ink Ltd., Zalando, Forever 21, Inc. and International Brands Company).
(ii)	Fashion Retailers	Supply of apparel products with designing and sourcing services to fashion retailers and wholesalers other than "Online Fashion Retailers" as defined above.
(iii)	Consultation Services	Income from provision of consultation services to shirts and footwear manufacturers which mainly include (a) assisting them to comply with corporate social responsibility standards requirements; (b) providing fashion trend 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.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenues and results

For the six months ended 31 October 2018

	Online Fashion Retailers HK$'000 (unaudited)	Fashion Retailers HK$'000 (unaudited)	Sub-total HK$'000 (unaudited)	Consultation Services HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
Segment revenue	37,285	56,522	93,807	2,892	96,699
Segment profit	7,191	10,312	17,503	2,295	19,798
Unallocated income					77
Unallocated gains and losses, net					(3,592)
Unallocated expenses					(6,231)
Unallocated finance costs					(5)
Professional fee in relation to transfer of listing					(5,135)
Profit before taxation					4,912

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (continued)

For the six months ended 31 October 2017

	Online Fashion Retailers HK$'000 (unaudited)	Fashion Retailers HK$'000 (unaudited)	Sub-total HK$'000 (unaudited)	Consultation Services HK$'000 (unaudited)	Consolidated HK$'000 (unaudited)
Segment revenue	40,291	49,554	89,845	1,700	91,545
Segment profit	9,713	10,302	20,015	1,110	21,125
Unallocated income					271
Unallocated gains and losses, net					(326)
Unallocated expenses					(6,066)
Profit before taxation					15,004

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, professional fee in relation to transfer of listing, finance costs, net exchange losses and allowance for doubtful debt. This is consistent with the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

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

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue by type of products/services

	Six months ended 31 October	
	2018	2017
	HK$'000	HK$'000
	(unaudited)	(unaudited)
At a point in time		
Womenswear:		
Online Fashion Retailers	**36,958**	39,988
Fashion Retailers	**47,167**	35,607
	84,125	75,595
Childrenswear:		
Online Fashion Retailers	**234**	303
Fashion Retailers	**9,355**	13,947
	9,589	14,250
Menswear: Online Fashion Retailers	**93**	–
Subtotal for the supply of apparel products	**93,807**	89,845
Overtime		
Consultation services	**2,892**	1,700
	96,699	91,545

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.

5. OTHER LOSSES

	Three months ended 31 October		Six months ended 31 October	
	2018 **HK$'000** **(unaudited)**	2017 HK$'000 (unaudited)	**2018** **HK$'000** **(unaudited)**	2017 HK$'000 (unaudited)
Impairment loss recognised in respect of trade receivables	**919**	–	**919**	–
Net exchange losses	**1,048**	294	**2,673**	213
	1,967	294	**3,592**	213

6. PROFIT BEFORE TAXATION

	Three months ended 31 October		Six months ended 31 October	
	2018 **HK$'000** **(unaudited)**	2017 HK$'000 (unaudited)	**2018** **HK$'000** **(unaudited)**	2017 HK$'000 (unaudited)
Profit before taxation has been arrived at after charging:				
Depreciation of property, plant and equipment	**119**	85	**236**	198

7. INCOME TAX EXPENSE

	Three months ended 31 October		Six months ended 31 October	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
The charge comprises:				
Hong Kong Profits Tax	**1,093**	1,390	**2,112**	2,891
PRC Enterprise Income Tax ("EIT")	**232**	–	**241**	–
Deferred tax (credit) expense	**(560)**	5	**(560)**	5
	765	1,395	**1,793**	2,896

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

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

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

The two-tiered profits tax rates regime is applicable to the Group for the year ending 30 April 2019 only one subsidiary in the Group could elect for the two-tiered rates regime and the election, once made, is irrevocable.

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

8. DIVIDEND

The board of directors does not recommend the payment of any dividend for the six months ended 31 October 2018 (six months ended 31 October 2017: nil).

9. EARNINGS PER SHARE

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

	Three months ended 31 October		Six months ended 31 October	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)	**2018 HK$'000 (unaudited)**	2017 HK$'000 (unaudited)
Earnings:				
Earnings for the purpose of calculating basic earnings per share (profit for the period)	**1,738**	5,376	**3,119**	12,108
	'000	'000	**'000**	'000
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**32,000**	32,000	**32,000**	32,000

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

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 October 2018, additions to property, plant and equipment, which mainly comprised additions to land and building, fixtures and furniture, amounted to HK$15,550,000 (30 April 2018: mainly comprised additions to fixtures and furniture of HK$412,000).

11. TRADE, BILLS AND OTHER RECEIVABLES

	31 October 2018 HK$'000 (unaudited)	30 April 2018 HK$'000 (audited)
Trade and bills receivables	**61,150**	40,185
Less: allowance for doubtful debts	**(3,388)**	–
	57,762	40,185
Other receivables		
– Deposits and prepayments	**8,247**	10,341
– Deposit paid for acquisition of intangible asset	**2,000**	–
– Others	**279**	106
	10,526	10,447
Total trade, bills and other receivables	**68,288**	50,632
Analysis for reporting purpose as		
Non-current assets	**2,000**	–
Current assets	**66,288**	50,632
	68,288	50,632

11. TRADE, BILLS AND OTHER RECEIVABLES (CONTINUED)

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 (net of allowance for doubtful debts) presented based on the invoice date at the end of the reporting period, which approximates the revenue recognition dates:

	31 October 2018 HK$'000 (unaudited)	30 April 2018 HK$'000 (audited)
Within 60 days	**47,267**	32,018
61 to 180 days	**8,400**	8,000
181 to 365 days	**1,975**	151
Over 365 days	**120**	16
	57,762	40,185

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.

As at 31 October 2018, total bills received amounting to HK$355,000 (30 April 2018: HK$799,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period less than one year.

12. TRADE AND OTHER PAYABLES

	31 October 2018 HK$'000 (unaudited)	30 April 2018 HK$'000 (audited)
Trade payables	**26,343**	13,482
Other payables	**1,688**	2,503
Accrued expenses	**3,050**	2,330
Deposits received from customers	**–**	33
Receipts in advance from customers	**–**	39
Total trade and other payables	**31,081**	18,387

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

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

	31 October 2018 HK$'000 (unaudited)	30 April 2018 HK$'000 (audited)
Within 60 days	**23,244**	11,409
61 to 180 days	**2,572**	1,427
181 to 365 days	**527**	619
Over 365 days	**–**	27
	26,343	13,482

13. CONTRACT LIABILITIES

Upon adoption of HKFRS 15 on 1 May 2018, deposits received and receipts in advance from customers originally classified as trade and other payables are reclassified as contract liabilities.

For the contract liabilities as at 1 May 2018 and 31 October 2018, the entire balance were expected to be recognised as revenue during the year ending 30 April 2019.

14. OBLIGATION UNDER A FINANCE LEASE

Obligation under a finance lease relates to a motor vehicle purchased under a finance lease arrangement. The lease term is three years. The contractual interest rate underlying the obligation was fixed at the contract date is 1.28% per annum and the effective interest rate is 3.16% per annum. Details of the obligation under the finance lease are set out below:

	Minimum lease payments		Present value of minimum lease payment	
	31 October 2018 HK$'000 (unaudited)	30 April 2018 HK$'000 (audited)	**31 October 2018 HK$'000 (unaudited)**	30 April 2018 HK$'000 (audited)
Amount payable under a finance lease:				
Within one year	**213**	365	**211**	358
More than one year but not exceeding five years	**–**	30	**–**	30
	213	395	**211**	388
Less: future finance charges	**(2)**	(7)	**N/A**	N/A
Present value of lease obligation	**211**	388	**211**	388
Less: Amount due for settlement within twelve months shown under current liabilities			**(211)**	(358)
Amount due for settlement after twelve months shown under non-current liabilities			**–**	30

The Group's obligation under a finance lease is secured by the lessor's title to the leased asset.

15. SHARE CAPITAL

Details of movements of authorised and issued capital of the Company are as follow:

	Number of shares	Share capital
		HK$
Ordinary share of HK$0.01 each		
Authorised:		
At 1 May 2017, 31 October 2017, 1 May 2018 and 31 October 2018	200,000,000	2,000,000
Issued and fully paid:		
At 1 May 2017, 31 October 2017, 1 May 2018 and 31 October 2018	32,000,000	320,000

There were no changes in current and prior periods.

16. PLEDGE OF ASSETS

At 31 October 2018, the Group's obligation under a finance lease (note 14) was secured by the lessor's title to the leased asset, which had a carrying amount of HK$644,000 (30 April 2018: HK$754,000).

17. RELATED PARTY DISCLOSURES

In addition to the transactions, balances and commitments disclosed elsewhere in the unaudited condensed consolidated financial statements, the Group had entered into the following related party transactions:

	Three months ended 31 October		Six months ended 31 October	
	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)	**2018 HK$'000 (unaudited)**	2017 HK$'000 (unaudited)
Rental expenses to a related company[1]	**21**	–	**41**	–
Rental expenses to a related party[2]	**83**	–	**171**	–

1. This represented rental expenses payable to an entity controlled by a close family member of Mr. Choi King Ting Charles ("Mr. Charles Choi"), the controlling shareholder of the Company, for the lease of office premises in Hong Kong.

2. This represented rental expenses payable to a relative of Mr. Charles Choi, for the lease of office premises in Shenzhen, the PRC.

18. CAPITAL COMMITMENTS

Capital expenditure in respect of the acquisition of intangible assets contracted for but not provided in the unaudited condensed financial statements amounted to HK$500,000 as at 31 October 2018.

19. FAIR VALUE MEASUREMENTS

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the unaudited condensed consolidated financial statements approximate their fair values.