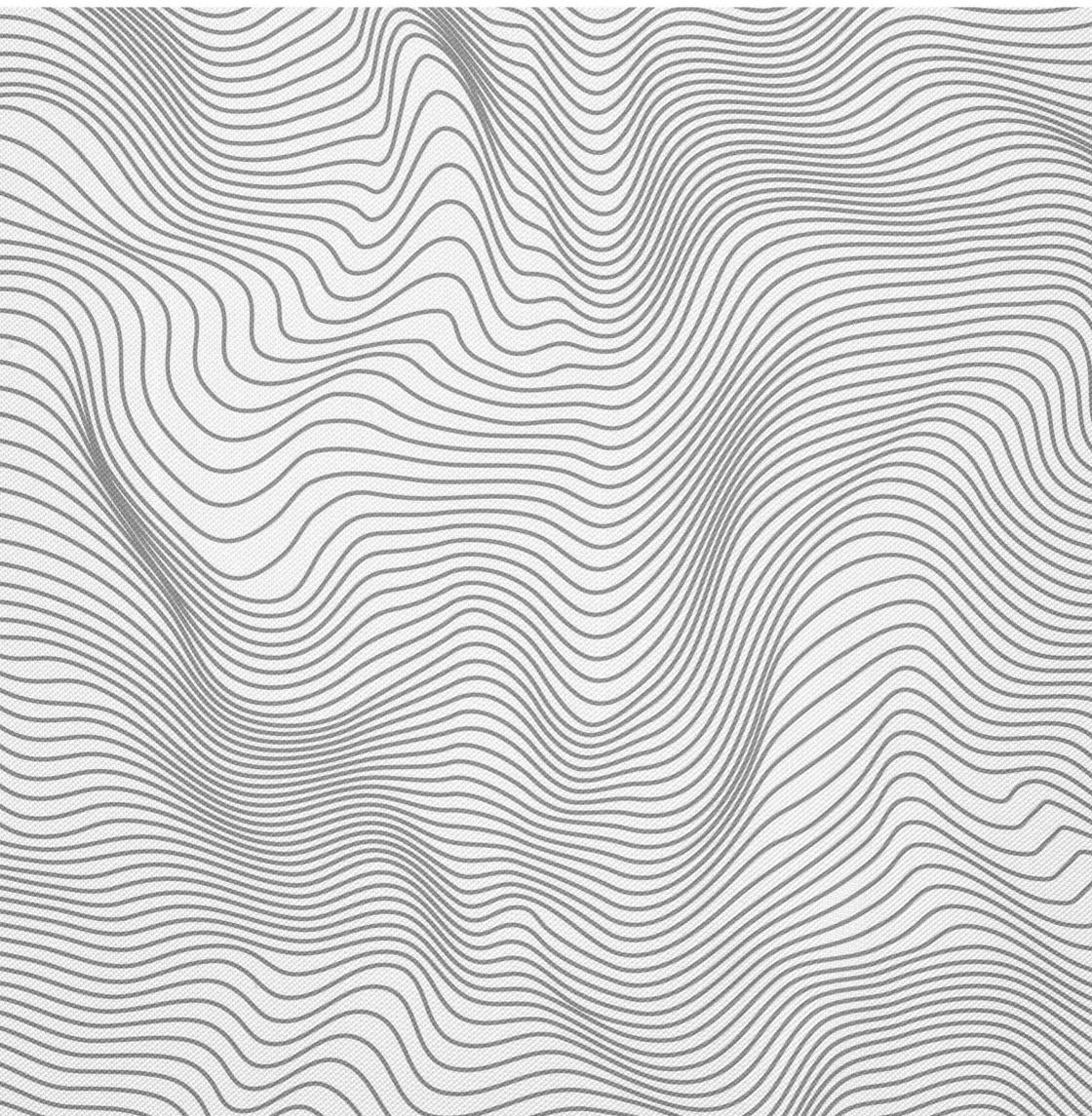


SG GROUP HOLDINGS LIMITED

樺欣控股有限公司

Incorporated in the Cayman Islands with limited liability
Stock Code: 1657

INTERIM REPORT 2021



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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. Owing to the global economic rebounds from COVID-19's negative impact in 2021, the Group's revenue from the supply of apparel products to branded fashion retailers and wholesalers increased by 47.5% to approximately HK\$70.8 million for the Period from approximately HK\$48.0 million for the six months ended 31 October 2020. The increase reflected the increase in sales orders from one of our major customers, as well as the successful development of new customers in the Middle East. Nonetheless, the Group continuously strengthens its customized comprehensive apparel designing and sourcing services to the customers within a short lead time to secure existing customers' orders and requirements, which in turn will strengthen the relationships between the Group and its customers.

The Group's gross profit increased to approximately HK\$16.5 million for the Period from approximately HK\$9.4 million for the six months ended 31 October 2020, representing an increase of approximately 75.5%. The increase in gross profit was mainly attributable to the increase in sales orders from one of our customers and new customers in the Middle East.

The Group's total comprehensive expenses attributable to owners of the Company was approximately HK\$0.6 million for the Period (for the six months ended 31 October 2020, the total comprehensive profit of approximately HK\$0.8 million). The loss was mainly attributable to (i) increase in employee benefit expenses, resulting in the increase of number of staff for the strengthen of sales team, supply chain management as well as back office team so as to cope with the new market and new customers. Nonetheless, the Group continues to inspire the team talent amid the COVID-19's negative impact in 2021 and ensures proper cost control measures on the employees' remuneration during the Period; (ii) transportation and logistics expenses resulting in the container shortage and price spikes.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 45.4% to approximately HK\$70.8 million for the Period from approximately HK\$48.7 million for the six months ended 31 October 2020. The increase in revenue was mainly due to the increase in purchase orders from a major customer headquartered in the UK and the successful development of new customers in the Middle East.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Cost of sales and services

The Group's cost of sales and services primarily consists of cost of goods sold and services provided and other direct costs. The cost of sales and services increased by 38.2% to approximately HK\$54.3 million for the Period as compared to HK\$39.3 million for the six months ended 31 October 2020. The cost of sales and services increased along with the increase in revenue for the Period.

Gross profit and gross profit margin

The Group's gross profit increased to approximately HK\$16.5 million for the Period from approximately HK\$9.4 million for the six months ended 31 October 2020, representing an increase of approximately 75.5%. The Group's gross profit margin was approximately 23.3% for the Period and approximately 19.4% for the six months ended 31 October 2020. The increase in gross profit margin was mainly attributable to our continuous effort in optimization of both customer and supplier portfolio during industry rebound from COVID-19.

Other gains and losses, net

The Group recorded other net gains on foreign exchange of approximately HK\$0.3 million for the Period, as compared to other losses of approximately HK\$0.2 million for the six months ended 31 October 2020. Such increase was mainly due to the foreign exchange gains on appreciation of Great British Pound ("GBP"). The Group also recorded other losses on impairment loss recognised in respect of intangible assets of approximately HK\$0.5 million for the six months ended 31 October 2020.

Net realised and unrealised (losses) gains on financial assets at FVTPL

The Group recorded a net realised and unrealised losses on financial assets at FVTPL of HK\$0.2 million for the Period, as compared to a net realised and unrealised gains on financial assets at FVTPL of HK\$0.7 million. However, the Group continues, from time to time, to explore, in a prudent way, suitable investment opportunities to enhance the interests of the Company and its shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Net (impairment loss) reversal of impairment loss recognised on financial assets

The Group recorded a provision for impairment loss recognised on trade receivables of approximately HK\$0.7 million for the Period from recording a net reversal of impairment loss recognised on trade receivables of approximately HK\$1.2 million for the six months ended 31 October 2020. As a result of the increase in trade receivables of the major customers of the Group which are mainly due to the increase in revenue and the Group had considered the macroeconomic impact of COVID-19 and took into account the forward looking factor when assessing the expected credit loss on the trade receivables, the Group incurred a greater amount of credit loss allowance against the trade receivables as compared to the six months ended 31 October 2020. There was no significant change of credit risk exposure for the major customers of the Group.

Administrative expenses

Administrative expenses primarily consist of employee benefit expenses, entertainment expenses, travelling expenses, depreciation of property and equipment and right of-use assets, legal and professional fees and other miscellaneous general and administrative expenses. Administrative expenses increased to approximately HK\$8.7 million for the Period from approximately HK\$6.2 million for the six months ended 31 October 2020, representing an increase of approximately 40.3%. The increase was mainly attributable to the increase in employee benefit expenses, resulting in the increase of number of employees for the strengthen of back office team so as to cope with the new market and new customers. Nonetheless, the Group continues to inspire the team talent amid the COVID-19's negative impact in 2021 and ensures proper cost control measures on the employees' remuneration during the Period.

Selling and distribution expenses

The Group's selling and distribution expenses increased to approximately HK\$7.8 million for the Period from approximately HK\$4.8 million for the six months ended 31 October 2020, representing an increase of approximately 62.5%. The increase was mainly due to the increase in (i) testing charges; (ii) transportation and logistics expenses, resulting in the container shortage and price spikes, and (iii) employee benefit expenses, resulting in the increase of number of employees for the strengthen of sales team and supply chain management so as to cope with the new market and new customers. Nonetheless, the Group continues to inspire the team talent amid the COVID-19's negative impact in 2021 and ensures proper cost control measures on the employees' remuneration during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

(Loss) profit for the Period

The Group recorded a loss for the period of approximately HK\$0.6 million for the Period, as compared to profit for the period of approximately HK\$0.3 million for the six months ended 31 October 2020. Such downturn decreased along with the increase in employee benefit expenses during the business development stage and transportation and logistics expenses amid the COVID-19 impact.

Total comprehensive (expenses) income attributable to owners of the Company

Total comprehensive expenses attributable to owners of the Company amounted to approximately HK\$0.6 million for the Period, as compared to total comprehensive profit of approximately HK\$0.8 million for the six months ended 31 October 2020, representing a decrease of approximately 175%. The decrease was mainly attributable to (i) increase in employee benefit expenses during the business development stage; (ii) transportation and logistics expenses amid the COVID-19 impact.

Basic (loss) earnings per Share

The Company's basic loss per Share for the Period was approximately HK\$0.02, as compared to the basic earnings per Share of approximately HK\$0.01 for the six months ended 31 October 2020.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a healthy financial position. As at 31 October 2021 and 30 April 2021, the Group had net current assets of approximately HK\$90.4 million and HK\$91.1 million, respectively, which include bank balances and cash of approximately HK\$44.5 million and HK\$49.4 million, respectively. The Group's current ratio (that is, current assets divided by current liabilities) decreased from approximately 4.4 as at 30 April 2021 to approximately 3.9 as at 31 October 2021.

Gearing ratio is calculated by dividing total debts by total equity as at the end of the reporting period. The total debts include bank borrowings and lease liabilities. The Group's gearing ratio was approximately 0.0617 as at 31 October 2021 (30 April 2021: 0.0659).

MANAGEMENT DISCUSSION AND ANALYSIS

TREASURY POLICIES

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

COMMITMENTS

As at 31 October 2021 and 30 April 2021, the Group did not have any capital commitments contracted for but not provided in the unaudited condensed consolidated financial statements.

CAPITAL STRUCTURE

As at 31 October 2021 and 30 April 2021, the Company's issued share capital was HK\$320,000 divided into 32,000,000 Shares of HK\$0.01 each.

SIGNIFICANT INVESTMENTS

As at 31 October 2021 and 30 April 2021, the Group did not hold any significant investments.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 31 October 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as those disclosed in the prospectus dated 28 February 2017 for the listing of Shares on the Company on GEM of the Stock Exchange ("Prospectus"), the Group currently has no other plan for material investments and capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 October 2021 and 30 April 2021.

FOREIGN EXCHANGE EXPOSURE

As at 31 October 2021 and 30 April 2021, the Group's exposure to currency risk primarily related to HK\$ and GBP. As HK\$ is pegged to the functional currency of the Group, US\$, the Group does not expect significant exchange rate risk from HK\$. The management of the Group strives to change invoicing currency of sales from GBP to US\$ to minimise exchange rate risk from fluctuations of GBP. The Group has set up a comprehensive foreign currency risk management policy that the Group may adopt to manage the risk it faces. The Group will review such policy from time to time. The Group currently does not undertake any foreign currency hedge.

PLEDGE OF ASSETS

As at 31 October 2021 and 30 April 2021, the Group did not have any leased assets secured by the lessor's title under finance lease.

EMPLOYEES AND REMUNERATION POLICIES

The total number of employees were 68 and 35 as at 31 October 2021 and 30 April 2021, respectively. The Group's employee benefit expenses mainly include salaries, wages, other staff benefits, contributions to retirement schemes. For the six months ended 31 October 2021 and 2020, the Group's total employee benefit expenses (including Directors' emoluments) amounted to approximately HK\$6.5 million and HK\$4.4 million, respectively. Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to basic salary, year-end bonuses would be discretionarily offered to those employees with outstanding performance.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

ENVIRONMENTAL POLICY

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

RELATIONSHIPS WITH STAKEHOLDERS

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

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

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

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 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	<ul style="list-style-type: none">- Acquired a premises for setting up a flagship showroom in Hong Kong with planned budget- Online platform implemented during the year ended 30 April 2020- Recruited an assistant general manager who is in charge of the development and enhancement of the business relationships with customers, and the economic impact brought by Brexit
Further strengthening the design and development capabilities of the Group to enhance its business model	<ul style="list-style-type: none">- Recruited two designers in the UK in May 2019
Expanding the geographical base of the third-party suppliers and diversifying the supplier base	<ul style="list-style-type: none">- Established two PRC subsidiaries as sourcing offices in the PRC
Widening product offerings of the Group	<ul style="list-style-type: none">- Received the first order for knitwear apparel products in May 2017
Enhancing the Group's corporate image to attract customer attention	<ul style="list-style-type: none">- Planning to participate in trade shows to be held in the UK and Europe to approach potential customers during the year ending 30 April 2022

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The actual net proceeds from Listing on the GEM by way of share offer (the “Share Offer”) on 21 March 2017, after deducting commission and expenses borne by the Company in connection with the Share Offer, were approximately HK\$44.4 million (the “Actual Net Proceeds”), which were higher than the estimated figure as stated in the Prospectus. Thus, the Company plans to apply the Actual Net Proceeds on the same business strategic plans as stated in the Prospectus for the period from the Listing Date to 31 October 2021 but with monetary adjustments to each business strategic plan on a pro-rata basis. The table below sets out an adjusted allocation and the actual use of the Actual Net Proceeds as at 31 October 2021:

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 2021 HK\$'000	Unutilised Actual Net Proceeds as at 31 October 2021 HK\$'000
Further strengthening the relationships with our existing customers and developing relationships with new customers	27,464	25,257	2,207
Further strengthening our design and development capabilities to enhance our business model	4,703	4,682	21
Expanding the geographical base of the third-party suppliers and diversifying our supplier base	5,191	5,191	-
Enhancing our corporate image to attract customer attention	2,662	1,038	1,624
General working capital	4,392	4,392	-
Total	44,412	40,560	3,852

Reference is made to the update on the use of proceeds on the Group’s 2021 annual report. As at 30 April 2021, the Group has utilised approximately HK\$39.2 million of the Actual Net Proceeds from the Share Offer.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

In 2020, the COVID-19 pandemic has caused severe disruption to economic activities worldwide and caused significant uncertainties in the current business environment. Nonetheless, the global economic short term rebounds from COVID-19's negative impact in 2021, there is still uncertainty for the recovery pace and momentum of the global economy. The Board will continue to assess the impact of the COVID-19 pandemic on the Group's operations and financial performance and closely monitor the Group's exposure to the risks and uncertainties in connection therewith. The Group will take appropriate measures to adapt to the challenging environment when necessary including but not limited to prevailing cost control measures to increase the operating efficiency of the Group.

Looking ahead, the Group will continue to strengthen its customized comprehensive apparel designing and sourcing services to better fulfill our commitments to the existing and potential customers. The Group will actively approach the existing and potential customers to explore new business opportunities through its business network. The Group will also continue to optimize (i) its display and promote sample products in showroom in Hong Kong and in the UK for customers' visits; and (ii) e-promotion via online platforms tailored for individual customers. The Directors believe that regular communications with the Group's customers allows the Group to better understand their needs and requirements, which in turn will strengthen the relationships between the Group and its customers.

The Directors will continue to review and evaluate the business objectives and strategies and make timely execution taking into account the business risks and market uncertainties. The Directors will also continue, from time to time, to explore, in a prudent way, suitable investment opportunities to enhance the interests of the Company and its shareholders which in time will bring sustainable and stable development to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

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

OTHER INFORMATION

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

As at 31 October 2021, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rules 13 of Appendix 16 to the Listing Rules, were as follows:

Name of Directors	Nature of interest	Number of Shares held	Percentage of shareholding in the Company's issued share capital
Mr. Charles Choi (Note 1)	Interest in controlled corporation	23,000,000 (L)	71.88%
	Beneficial owner	<u>556,500 (L)</u>	<u>1.73%</u>
	Total	23,556,500	73.61%
Mr. Lai Kwok Hung, Alex	Beneficial owner	10,000 (L)	0.03%

Notes:

- Mr. Charles Choi directly owns 100% of JC Fashion International Group Limited ("JC International"), which in turn holds 71.88% of the issued share capital of the Company. Mr. Charles Choi is deemed, or taken to be interested in, all the Shares held by JC International for the purpose of the SFO.
- The letter "L" denotes the person's long position in the Shares.

OTHER INFORMATION

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

Save as disclosed above, as at 31 October 2021, none of the Directors nor chief executive of the Company has registered an interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to Rule 13 of Appendix 16 to the Listing Rules.

OTHER INFORMATION

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

So far as the Directors are aware, as at 31 October 2021, the following persons (not being Directors or chief executive of the Company) will have or be deemed or taken to have an interest or short position in the Shares or the underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of shareholder	Nature of interests	Number of Shares held	Percentage of shareholding in the Company's issued share capital
JC International (Note 1)	Beneficial owner	23,000,000 (L) (Note 2)	71.88%

Notes:

1. Mr. Charles Choi directly owns 100% of JC International, which in turn holds 71.88% 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 2021, the Directors were not aware of any other persons who had any interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO, and/or who are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

OTHER INFORMATION

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to Listing Rules (the "Model Code"). In response to the specific enquiry made by the Company of the Directors, all Directors have confirmed that they had complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors adopted by the Company throughout the six months ended 31 October 2021.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, or any of its holding companies, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the six months ended 31 October 2021 or at any time during the six months ended 31 October 2021, nor was there any transaction, arrangements or contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder (as defined in the Listing Rules) or any of its subsidiaries for the six months ended 31 October 2021. There was also no contract of significance between the Company or one of the subsidiaries and the controlling shareholders or any of its subsidiaries.

OTHER INFORMATION

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

NON-COMPETITION UNDERTAKING

Each of the covenants of the deed of non-competition dated 21 February 2017 (“Non-Competition Undertakings”), Mr. Charles Choi and JC International (“Covenants”), has made annual declarations to the Company that during the six months ended 31 October 2021 and 2020, they have complied with the terms of the Non-Competition Undertakings. Details of the Non-Competition Undertakings are set out in the section headed “Relationship with our Controlling Shareholders” of the Prospectus.

The independent non-executive Directors have reviewed the status of compliance by each of the Covenants with the undertakings in the Non-Competition Undertakings and as far as the independent non-executive Directors can ascertain, the undertakings have been fully complied with and enforced during the six months ended 31 October 2021 and 2020. The executive Directors and the independent non-executive Directors also confirm that there are no other matters in relation to the aforesaid undertaking which should be brought to the attention of the Shareholders and the potential investors of the Group.

CORPORATE GOVERNANCE PRACTICES

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

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES (CONTINUED)

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 six months ended 31 October 2021, 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 2021 and up to the date of this report.

DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 31 October 2021 (31 October 2020: Nil).

OTHER INFORMATION

AUDIT AND RISK MANAGEMENT COMMITTEE

The Company has set up an Audit and Risk Management Committee on 21 February 2017 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and section C3 of the CG Code. The duties of the Audit and Risk Management Committee are to review relationship with the Company's external auditors, review the Company's financial information, oversee the Company's financial reporting system and internal control procedures and oversee the Company's continuing connected transactions. The Audit and Risk Management Committee comprises all three independent non-executive Directors, namely Mr. Lai Kwok Hung, Alex, who is the chairman of the Audit and Risk Management Committee, Mr. Yeung Chuen Chow, Thomas and Mr. Cüneyt Bülent Bilâlođlu. The unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the Audit and Risk Management Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the Listing Rules and legal requirements, and adequate disclosures have been made.

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

Hong Kong, 30 December 2021

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF SG GROUP HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of SG Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 22 to 40, which comprises the condensed consolidated statement of financial position as of 31 October 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

D & PARTNERS CPA LIMITED

Certified Public Accountants

Hong Kong

30 December 2021

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2021

	NOTES	31 October 2021 HK\$'000 (unaudited)	30 April 2021 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	21,896	21,261
Right-of-use assets		1,463	1,567
Investment properties		7,602	7,682
Intangible assets		6,069	6,886
Deferred tax assets		500	174
		37,530	37,570
Current assets			
Inventories		4,089	3,317
Trade and other receivables	11	63,954	56,353
Tax recoverable		3,005	1,887
Financial assets at fair value through profit and loss		6,521	6,688
Bank balances and cash		44,488	49,418
		122,057	117,663
Current liabilities			
Contract liabilities		138	29
Trade and other payables	12	22,798	18,263
Bank borrowings	13	6,086	6,551
Lease liabilities		242	231
Tax payables		2,427	1,513
		31,691	26,587
Net current assets		90,366	91,076
Total assets less current liabilities		127,896	128,646

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2021

	NOTE	31 October 2021 HK\$'000 (unaudited)	30 April 2021 HK\$'000 (audited)
Non-current liabilities			
Lease liabilities		1,413	1,514
Deferred tax liabilities		1,112	1,172
		2,525	2,686
Net assets		125,371	125,960
Capital and reserves			
Share capital	14	320	320
Reserves		125,051	125,640
Total equity		125,371	125,960

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 2021

	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 30 April 2020 (audited)	320	39,201	456	(601)	85,543	124,919
Profit and total comprehensive income for the period	-	-	-	483	348	831
At 31 October 2020 (unaudited)	320	39,201	456	(118)	85,891	125,750
At 1 May 2021 (audited)	320	39,201	456	528	85,455	125,960
Loss and total comprehensive expenses for the period	-	-	-	37	(626)	(589)
At 31 October 2021 (unaudited)	320	39,201	456	565	84,829	125,371

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 OCTOBER 2021

	Six months ended 31 October	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Net cash (used in) generated from operating activities	(3,118)	12,877
Investing activities		
Interest received	165	20
Purchases of financial assets at FVTPL	–	(5,874)
Deposit paid for acquisition of an owned property	–	(2,000)
Purchases of property, plant and equipment	(1,278)	(1,788)
Purchase of intangible assets	–	(849)
Net cash used in investing activities	(1,113)	(10,491)
Financing activities		
Repayment of bank borrowings	(465)	–
New bank borrowings raised	–	6,551
Repayment of lease liabilities	(112)	(589)
Interest paid	(125)	(124)
Net cash (used in) from financing activities	(702)	5,838
Net (decrease) increase in cash and cash equivalents	(4,933)	8,224
Cash and cash equivalents at beginning of the period	49,418	35,100
Effect of foreign exchange rate changes	3	301
Cash and cash equivalents at end of the period	44,488	43,625

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PRESENTATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

Amendments to HKFRSs that are mandatorily effective for the current period

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 May 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021

The application of amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs on entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION

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

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

For the year ended 30 April 2021, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. The Group combined the online fashion retailers segment with fashion retailers segment. With more fashion retailers started to trade on the online platform, the CODM started to make strategic decision for all fashion retails as a whole. Prior period segment disclosure have been represented to conform with the current period’s presentation.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

For the six months ended 31 October 2021

	Supply of Apparel Products HK\$'000 (unaudited)	Consultation Services HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue			
Womenswear	60,128	–	60,128
Childrenswear	10,690	–	10,690
Consultation service	–	–	–
	<u>70,818</u>	<u>–</u>	<u>70,818</u>
Segment profit	<u>2,205</u>	<u>–</u>	<u>2,205</u>
Unallocated income			438
Net realised and unrealised losses on financial assets at FVTPL			(167)
Unallocated expenses			(1,906)
Unallocated finance costs			<u>(28)</u>
Profit before tax			<u>542</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

For the six months ended 31 October 2020

	Supply of Apparel Products HK\$'000 (unaudited)	Consultation Services HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue			
Womenswear	45,385	-	45,385
Childrenswear	2,628	-	2,628
Consultation service	-	700	700
	<u>48,013</u>	<u>700</u>	<u>48,713</u>
Segment profit	<u>723</u>	<u>513</u>	1,236
Unallocated income			1,221
Net realised and unrealised gains on financial assets at FVTPL			658
Unallocated expenses			(2,237)
Unallocated finance costs			<u>(31)</u>
Profit before tax			<u>847</u>

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, depreciation on investment properties, net realised and unrealised (losses) gains on financial assets at FVTPL, general office expenses, selling and distribution expenses, finance costs and net exchange gains (losses). This is consistent with the measure reported to the CODMs of the Group for the purposes of resource allocation and performance assessment.

There were no inter-segment sales for both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue by type of products/services

	Six months ended 31 October	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
At a point in time:		
Supply of apparel products		
Womenswear	60,128	45,385
Childrenswear	10,690	2,628
Subtotal for the supply of apparel products	70,818	48,013
Overtime:		
Consultation services	–	700
	70,818	48,713

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

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

Segment assets and liabilities

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER GAINS AND LOSSES, NET

	Six months ended 31 October	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Impairment loss recognised in respect of intangible assets	–	(538)
Net exchange gains (losses)	256	(183)
	256	(721)

6. PROFIT BEFORE TAX

	Six months ended 31 October	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	681	520
Depreciation of right-of-use assets	127	604
Depreciation of investment properties	80	50
Amortisation of intangible assets	817	403
Finance costs (Note)	125	124

Note: Included in the finance costs, a bank interest expense on the bank borrowings amounted to HK\$65,000 (2020: HK\$57,000) is incurred. There are two bank borrowings for the Group, one is secured by the bond investment and corporate guarantee, and the other one is guaranteed by Mr. Choi King Ting, Charles.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

	Six months ended 31 October	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Current tax		
Hong Kong Profits Tax	1,215	35
The PRC Enterprise Income Tax (the "EIT")	–	–
UK Corporate Tax	–	–
	1,215	35
Underprovision (overprovision) in prior years:		
Hong Kong	255	(246)
	1,470	(211)
Deferred tax (credit) expense	(302)	710
	1,168	499

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

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

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

The United Kingdom (the "UK") Corporate Tax is calculated at 19% of the taxable profits of subsidiary established in UK.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. DIVIDEND

No dividend was paid or proposed for the ordinary shareholders of the Company during the six months ended 31 October 2021 (for the six months ended 31 October 2020: Nil), nor has any dividend been proposed since the end of the reporting period.

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 31 October	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
(Loss) earnings:		
(Loss) earnings for the purpose of calculating basic (loss) earnings per share (loss) profit for the period	(626)	348
	'000	'000
Number of shares:		
Number of ordinary shares for the purpose of calculating basic (loss) earnings per share	32,000	32,000

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 October 2021, additions to property, plant and equipment, which mainly comprised additions to fixtures and furniture and leasehold improvements, amounted to HK\$1,278,000 (for the six months ended 31 October 2020: mainly comprised additions to fixtures and furniture of HK\$432,000).

During the six months ended 31 October 2020, additions to construction in progress amounted to HK\$2,594,000 for the renovation of an owned property.

11. TRADE AND OTHER RECEIVABLES

	31 October 2021 HK\$'000 (unaudited)	30 April 2021 HK\$'000 (audited)
Trade receivables	36,543	35,302
Less: allowance for credit losses	(2,644)	(1,919)
	33,899	33,383
Other receivables		
– Deposits and prepayments (Note a)	923	588
– Prepayment to suppliers (Note b)	27,562	17,768
– Value-added tax receivables	1,201	4,172
– Others	369	442
	30,055	22,970
Total trade and other receivables	63,954	56,353

Note a: The amounts mainly represents other refundable deposits.

Note b: Prepayments were paid to independent suppliers as partial payment when placing purchase orders.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

For customers with good credit quality and payment history, the Group allows credit periods of no longer than 90 days (30 April 2021: 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 receivables (net of allowance for credit losses) presented based on the invoice date at the end of the reporting period, which approximates the revenue recognition dates:

	31 October 2021 HK\$'000 (unaudited)	30 April 2021 HK\$'000 (audited)
Within 60 days	20,073	24,548
61 to 180 days	13,826	8,835
181 to 365 days	–	–
Over 365 days	–	–
	33,899	33,383

The management of the Group closely monitors the credit quality of trade 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. TRADE AND OTHER PAYABLES

	31 October 2021 HK\$'000 (unaudited)	30 April 2021 HK\$'000 (audited)
Trade payables	13,307	13,931
Other payables	7,640	3,167
Accrued expenses	1,851	1,165
Total trade and other payables	22,798	18,263

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

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

	31 October 2021 HK\$'000 (unaudited)	30 April 2021 HK\$'000 (audited)
Within 60 days	11,862	11,095
61 to 180 days	918	2,751
181 to 365 days	462	36
Over 365 days	65	49
	13,307	13,931

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. BANK BORROWINGS

During the six months ended 31 October 2021, the Group did not raise any new bank borrowings (six months ended 31 October 2020: approximately HK\$6,551,000). For the current two bank borrowings of the Group which were used as general working capital and acquired the bond investment classified as financial assets at FVTPL, respectively. The bank borrowings bear variable interest at market rates and one of them repayable in 36 months and personal guarantee of Mr. Choi King Ting, Charles. Another loan is repayable within one year or repayable on demand and secured by the bond investment and corporate guarantee.

14. SHARE CAPITAL

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

	Number of shares	Share capital HK\$
	<hr/>	<hr/>
Ordinary share of HK\$0.01 each		
Authorised:		
At 1 May 2020, 31 October 2020, 1 May 2021 and 31 October 2021	<hr/> 200,000,000	<hr/> 2,000,000
Issued and fully paid:		
At 1 May 2020, 31 October 2020, 1 May 2021 and 31 October 2021	<hr/> 32,000,000	<hr/> 320,000

There were no changes in both periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. RELATED PARTY DISCLOSURES

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

(i) Relationships	Nature of balances/ transactions	Six months ended 31 October	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
A related party ¹	Interest expenses on lease liabilities	60	62
	Expenses relating to short-term lease	44	48
	Lease liabilities	1,655	1,788

¹ Starting from 28 July 2017, the Group entered into a lease agreement for the use of office in Shenzhen, the PRC with a relative of Mr. Charles Choi for 10 years.

(ii) Compensation of key management personnel

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

	Six months ended 31 October	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Salaries and allowances	1,421	1,070
Retirement benefit schemes contributions	71	53
	1,492	1,123