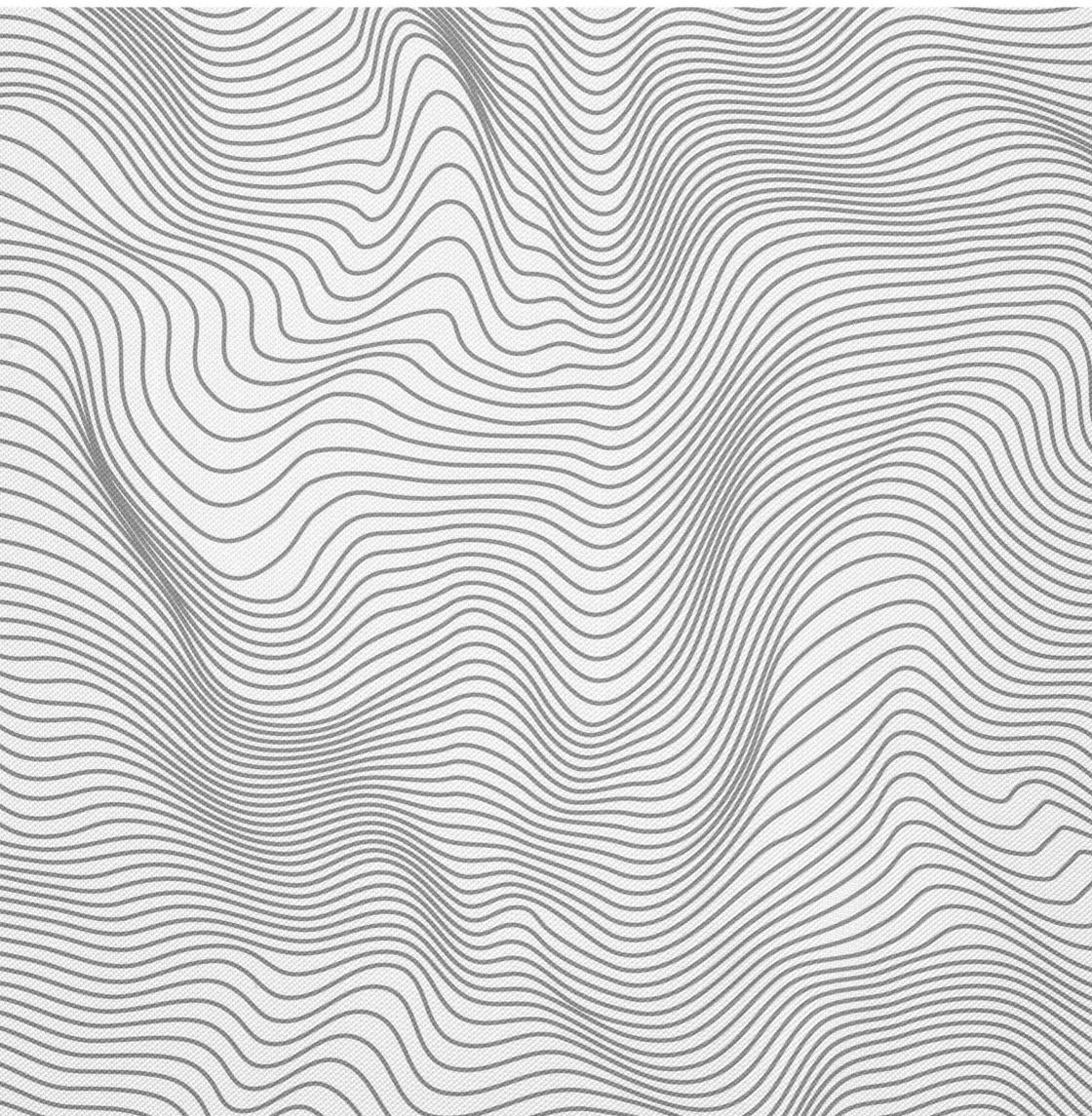


SG GROUP HOLDINGS LIMITED

樺欣控股有限公司

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

INTERIM REPORT 2023



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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Against the challenging economic environment, the reduced appetite of Group's major markets for discretionary spending such as apparel leading to the significant drop in demand for apparel from the Group's major UK customers. Nonetheless, benefit from the successful development of a new major customer targeting US market in late 2022, the Group's revenue from the supply of apparel products to fashion retailers and wholesalers increased by 45.6% to approximately HK\$85.8 million for the six months ended 31 October 2023 (the "Period") from approximately HK\$58.9 million for the six months ended 31 October 2022. 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 decreased to approximately HK\$7.3 million for the Period from approximately HK\$10.6 million for the six months ended 31 October 2022, representing a decrease of approximately 31.3%. The decrease in gross profit was mainly attributable to (i) sales discount granted to the customers upon our customers' requests; (ii) increase in unit production costs incurred for POs with smaller quantity; and (iii) competitive pricing offered to the new major customer targeting US market. To mitigate the increase in production costs from PRC approved suppliers, the Management has taken action to develop supply chain management in Cambodia to lower the overall production costs. The Management continuously explores further business opportunities to lower the production costs with a short lead time in different countries.

The Group's total comprehensive expenses attributable to owners of the Company was approximately HK\$10.3 million for the Period (for the six months ended 31 October 2022: the total comprehensive expenses of approximately HK\$6.2 million). The change was mainly attributable to (i) the decrease in gross profit; (ii) the decrease in government grant received; and (iii) the record of the net unrealised losses on financial assets at fair value through profit or loss; as a result of the downturn in the overall fashion retail and wholesale market and the continuous geopolitical tensions, high inflation and interest rate hikes as well as recession risk.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased by 45.6% to approximately HK\$85.8 million for the Period from approximately HK\$58.9 million for the six months ended 31 October 2022. The increase in revenue was mainly due to the successful development of a new major customer targeting US market in late 2022, which contributed approximately HK\$59.5 million or 69.4% of the Group's revenue. Such increase in revenue from the new major customer targeting US market mitigate the decrease in revenue from the Group's major UK customers.

Cost of sales

The Group's cost of sales primarily consists of cost of goods sold and other direct costs. The cost of sales increased by 62.5% to approximately HK\$78.5 million for the Period as compared to HK\$48.3 million for the six months ended 31 October 2022. The cost of sales increased along with the increase in revenue for the Period.

Gross profit and gross profit margin

The Group's gross profit decreased to approximately HK\$7.3 million for the Period from approximately HK\$10.6 million for the six months ended 31 October 2022, representing an decrease of approximately 31.3%. The Group's gross profit margin was approximately 8.5% for the Period and approximately 18.0% for the six months ended 31 October 2022. The decrease in gross profit margin was mainly attributable (i) sales discount granted to the customers upon our customers' requests; (ii) increase in unit production costs incurred for POs with smaller quantity; and (iii) competitive pricing offered to the new major customer targeting US market.

Other (losses) gains, net

The Group recorded other net loss on foreign exchange of approximately HK\$0.1 million for the Period, as compared to other net gains of approximately HK\$0.2 million for the six months ended 31 October 2022. The foreign exchange loss on depreciation of Great British Pound ("GBP") mitigate the depreciation of Renminbi ("RMB").

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Net unrealised losses on financial assets at fair value through profit or loss (“FVTPL”)

The Group recorded a net unrealised losses on financial assets at FVTPL of HK\$1.8 million for the Period, as compared to a net unrealised losses on financial assets at FVTPL of HK\$2.1 million for the six months ended 31 October 2022. 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.

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

The Group recorded a net 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\$0.1 million for the six months ended 31 October 2022. As a result of the increase in trade receivables of the new major customer targeting US market of the Group 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 2022. 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 decreased to approximately HK\$8.6 million for the Period from approximately HK\$8.9 million for the six months ended 31 October 2022, representing a decrease of approximately 3.3%. The decrease was mainly attributable to the decrease in employee benefit expenses of approximately HK\$3.0 million (for the six months ended 31 October 2022: HK\$4.0 million), resulting in the decrease of number of employees to optimize the back office team so as to cope with the current market and current customers. Nonetheless, the Group continues to inspire the team talent amid the marked slowdown in demand driven by global economic uncertainty and ensures proper cost control measures on the employees' remuneration during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

Selling and distribution expenses

The Group's selling and distribution expenses increased to approximately HK\$7.0 million for the Period from approximately HK\$6.0 million for the six months ended 31 October 2022, representing an increase of approximately 17.7%. The increase was mainly due to the increase in marketing and related expenses of approximately HK\$1.9 million (for the six months ended 31 October 2022: HK\$0.6 million), resulting in the collaboration between the Group and international influencers. The Group will continue to explore different business opportunities with new and current customers. Nonetheless, the Group has optimised the front line team, resulting in the decrease of employees' remuneration of approximately HK\$1.9 million (for the six months ended 31 October 2022: HK\$3.0 million) to against the drop in demand from major customers headquartered in the UK. The Group continues to inspire the team talent amid the marked slowdown in demand driven by global economic uncertainty and ensures proper cost control measures on the employees' remuneration during the Period.

Loss for the Period

The Group recorded a loss for the period of approximately HK\$10.2 million for the Period, as compared to loss for the period of approximately HK\$4.3 million for the six months ended 31 October 2022. Such downturn decreased along with the decrease in gross profit, as well as the net unrealised losses on financial assets at FVTPL recorded for the Period.

Total comprehensive expenses attributable to owners of the Company

Total comprehensive expenses attributable to owners of the Company amounted to approximately HK\$10.3 million for the Period, as compared to total comprehensive expenses of approximately HK\$6.2 million for the six months ended 31 October 2022. The change was mainly attributable to (i) the decrease in gross profit; (ii) the decrease in government grant received; and (iii) the record of the net unrealised losses on trading securities; as a result of the downturn in the overall fashion retail and wholesale market and the continuous geopolitical tensions, high inflation and interest rate hikes as well as recession risk.

Basic loss per Share

The Company's basic loss per Share for the Period was approximately HK\$0.32, as compared to the basic loss per Share of approximately HK\$0.13 for the six months ended 31 October 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a healthy financial position. As at 31 October 2023 and 30 April 2023, the Group had net current assets of approximately HK\$69.4 million and HK\$83.8 million, respectively, which include bank balances and cash of approximately HK\$5.1 million and HK\$34.2 million, respectively. The Group's current ratio (that is, current assets divided by current liabilities) increased from approximately 4.4 as at 30 April 2023 to approximately 5.7 as at 31 October 2023.

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 0.0778 as at 31 October 2023 (30 April 2023: 0.0597).

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 2023 and 30 April 2023, 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 2023 and 30 April 2023, 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 2023 and 30 April 2023, 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 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 31 October 2023 and 30 April 2023.

FOREIGN EXCHANGE EXPOSURE

As at 31 October 2023 and 30 April 2023, 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 2023 and 30 April 2023, 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 44 and 44 as at 31 October 2023 and 30 April 2023, 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 2023 and 2022, the Group’s total employee benefit expenses (including Directors’ emoluments) amounted to approximately HK\$4.8 million and HK\$7.0 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

FUTURE PROSPECTS

Against the unfavourable economic environment, the Board expects the reduced appetite in discretionary spending and the drop in demand for apparel to continue through next 12 months. The Board will continue to assess the global economic backdrop 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 actively explore potential customers in different regions and continue to strengthen its customized comprehensive apparel designing and sourcing services to better fulfill our commitments to the existing and potential customers. Meanwhile, the Group will actively expand the peripheral business scope of fashion, including shoes, bags. The Group will also continue to optimize (i) its display and promote sample products in showroom in Hong Kong, the PRC and the UK for customers' visits; (ii) e-promotion via online platforms tailored for individual customers; and (iii) explore the opportunities of the collaboration between the Group and international influencers to improve the Group's corporate image and recognition. 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 2023, 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>1,000,000 (L)</u>	<u>3.12%</u>
	Total	24,000,000 (L)	75.00%
Mr. Lai Kwok Hung, Alex	Beneficial owner	10,000 (L)	0.03%

Notes:

1. 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.
2. 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 2023, 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 2023, 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 2023, 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 2023.

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 2023 or at any time during the six months ended 31 October 2023, 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 2023. 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 2023 and 2022, 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 2023 and 2022. 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 C.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 C.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 C.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 2023, save for code provision C.2.1.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events affecting the Group after the six months ended 31 October 2023 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 2023 (31 October 2022: 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, 29 December 2023

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 20 to 38, which comprises the condensed consolidated statement of financial position as of 31 October 2023 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

29 December 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 OCTOBER 2023

	NOTES	Six months ended 31 October	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	4	85,768	58,910
Cost of sales and services		(78,482)	(48,308)
Gross profit		7,286	10,602
Other income		833	1,989
Other (losses) gains, net	5	(116)	232
Net unrealised losses on financial assets at fair value through profit or loss ("FVTPL")		(1,794)	(2,123)
Net (impairment loss) reversal of impairment loss recognised on financial assets		(745)	102
Administrative expenses		(8,627)	(8,922)
Selling and distribution expenses		(7,038)	(5,978)
Finance costs		(103)	(186)
Loss before tax	6	(10,304)	(4,284)
Income tax credit	7	100	34
Loss for the period		(10,204)	(4,250)
OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Fair value loss on:			
investment in financial instruments at fair value through other comprehensive income ("FVTOCI")		-	(2,066)
Exchange difference arising on translation of financial statements of foreign operations		(49)	130
Other comprehensive expenses for the period		(49)	(1,936)
Total comprehensive expenses for the period		(10,253)	(6,186)
Loss per share			
- basic and diluted (Hong Kong dollars)	9	(0.32)	(0.13)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2023

	NOTES	31 October 2023 HK\$'000 (unaudited)	30 April 2023 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	13,041	13,497
Right-of-use assets		2,375	–
Investment properties		6,528	6,600
Intangible assets		2,800	3,617
Financial instrument at FVTOCI		–	–
Deferred tax assets		11	48
Deposit paid for acquisition of intangible assets		800	–
Deposit paid for acquisition of property, plant and equipment		3,868	–
		29,423	23,762
Current assets			
Inventories		3,984	1,783
Trade and other receivables	11	64,817	61,795
Tax recoverable		946	–
Financial assets at fair value through profit and loss (“FVTPL”)		9,324	11,118
Bank balances and cash		5,117	34,165
		84,188	108,861
Current liabilities			
Contract liabilities		898	205
Trade and other payables	12	7,892	17,620
Bank borrowings	13	5,149	6,388
Lease liability		765	–
Tax payables		103	804
		14,807	25,017
Net current assets		69,381	83,844
Total assets less current liabilities		98,804	107,606

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 OCTOBER 2023

	NOTE	31 October 2023 HK\$'000 (unaudited)	30 April 2023 HK\$'000 (audited)
Non-current liabilities			
Lease liability		1,610	–
Deferred tax liabilities		472	631
		2,082	631
Net assets		96,722	106,975
Capital and reserves			
Share capital	14	320	320
Reserves		96,402	106,655
Total equity		96,722	106,975

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 2023

	Share capital HK\$'000	Share premium HK\$'000	Statutory reserve HK\$'000 (Note)	Investment revaluation reserve HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 30 April 2022 (audited)	320	39,201	456	-	271	85,946	126,194
Fair value changes of equity instrument at FVTOCI	-	-	-	(2,066)	-	-	(2,066)
Loss and total comprehensive expenses for the period	-	-	-	-	130	(4,250)	(4,120)
At 31 October 2022 (unaudited)	320	39,201	456	(2,066)	401	81,696	120,008
At 1 May 2023 (audited)	320	39,201	456	(2,925)	404	69,519	106,975
Loss and total comprehensive expenses for the period	-	-	-	-	(49)	(10,204)	(10,253)
At 31 October 2023 (unaudited)	320	39,201	456	(2,925)	355	59,315	96,722

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 2023

	Six months ended 31 October	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Net cash used in operating activities	(23,364)	(6,181)
Investing activities		
Interest received	355	167
Purchases of property, plant and equipment	(48)	(27)
Deposit paid for acquisition of intangible assets	(800)	-
Deposit paid for acquisition of property, plant and equipment	(3,868)	-
Net cash (used in) from investing activities	(4,361)	140
Financing activities		
Repayment of bank borrowings	(1,239)	(715)
New bank borrowings raised	-	6,144
Repayment of lease liability	-	(115)
Interest paid	(103)	(186)
Net cash (used in) from financing activities	(1,342)	5,128
Net decrease in cash and cash equivalents	(29,067)	(913)
Cash and cash equivalents at beginning of the period	34,165	46,110
Effect of foreign exchange rate changes	19	579
Cash and cash equivalents at end of the period	5,117	45,776

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 the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on or after 1 May 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the new and amendments to HKFRSs in the current interim 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on supply of apparel products.

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 period ended 31 October 2023, 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 of the reportable segment are as follows:

- | | | |
|-----|----------------------------|---|
| (i) | Supply of Apparel Products | Supply of apparel products with designing and sourcing services to fashion retailers. |
|-----|----------------------------|---|

The operating segment also represent the Group’s reportable segment. No operating segment identified by the CODM have been aggregated in arriving at the reportable segment 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 2023

	Supply of Apparel Products HK\$'000 (unaudited)
Segment revenue	
Womenswear	58,483
Childrenswear	4,219
Menswear	23,066
	<hr/> 85,768 <hr/>
Segment loss	(7,214)
Unallocated income	524
Unallocated losses	(2,178)
Unallocated expenses	(1,436)
Unallocated finance costs	-
	<hr/> (10,304) <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Revenue by type of products

	Six months ended 31 October	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
At a point in time:		
Supply of apparel products		
Womenswear	58,483	52,813
Childrenswear	4,219	6,097
Menswear	23,066	–
	85,768	58,910

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.

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 (LOSSES) GAINS, NET

	Six months ended 31 October	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Net exchange (losses) gains	(116)	232

6. LOSS BEFORE TAX

	Six months ended 31 October	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Loss before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	440	657
Depreciation of right-of-use assets	–	119
Depreciation of investment properties	72	80
Amortisation of intangible assets	817	817
Finance costs (Note)	103	186

Note: Included in the finance costs, a bank interest expense on the bank borrowings amounted to HK\$103,000 (2022: HK\$138,000) is incurred. There are two (2022: three) bank borrowings for the Group, both are guaranteed by Mr. Choi King Ting, Charles (2022: one is secured by the bond investment and the remaining loans are guaranteed by Mr. Choi King Ting, Charles).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX CREDIT

	Six months ended 31 October	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Current tax		
Hong Kong Profits Tax	–	70
The PRC Enterprise Income Tax (the “EIT”)	18	–
UK Corporate Tax	–	–
	18	70
Underprovision in prior years:		
Hong Kong	4	12
	22	82
Deferred tax credit	(122)	(116)
	(100)	(34)

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 2023 (for the six months ended 31 October 2022: Nil), nor has any dividend been proposed since the end of the reporting period.

9. LOSS PER SHARE

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

	Six months ended 31 October	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
	<u> </u>	<u> </u>
Loss:		
Loss for the purpose of calculating basic loss per share loss for the period	(10,204)	(4,250)
	<u> </u>	<u> </u>
	'000	'000
Number of shares:		
Number of ordinary shares for the purpose of calculating basic loss per share	32,000	32,000
	<u> </u>	<u> </u>

No diluted loss 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 2023, additions to property, plant and equipment, which mainly comprised additions to fixtures and furniture, amounted to HK\$48,000 (for the six months ended 31 October 2022: mainly comprised additions to fixtures and furniture and leasehold improvements of HK\$27,000).

11. TRADE AND OTHER RECEIVABLES

	31 October 2023 HK\$'000 (unaudited)	30 April 2023 HK\$'000 (audited)
Trade receivables	35,298	40,666
Less: allowance for credit losses	(2,242)	(1,497)
	33,056	39,169
Other receivables		
– Deposits and prepayments	1,951	540
– Prepayment to suppliers	28,386	21,330
– Value-added tax receivables	863	556
– Others	561	200
	31,761	22,626
Total trade and other receivables	64,817	61,795

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 2023: 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 2023 HK\$'000 (unaudited)	30 April 2023 HK\$'000 (audited)
Within 60 days	19,181	34,953
61 to 180 days	13,101	4,205
181 to 365 days	774	11
Over 365 days	–	–
	33,056	39,169

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 2023 HK\$'000 (unaudited)	30 April 2023 HK\$'000 (audited)
Trade payables	5,015	14,029
Other payables	1,131	2,248
Accrued expenses	1,746	1,343
Total trade and other payables	7,892	17,620

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 2023 HK\$'000 (unaudited)	30 April 2023 HK\$'000 (audited)
Within 60 days	3,788	13,640
61 to 180 days	1,153	307
181 to 365 days	57	65
Over 365 days	17	17
	5,015	14,029

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. BANK BORROWINGS

During the six months ended 31 October 2023, no new bank borrowing was raised by the Group (six months ended 31 October 2022: HK\$6,144,000). For the current bank borrowing of the Group which was used as general working capital. The bank borrowing bears variable interest at market rates and repayable on demand and secured by personal guarantee of Mr. Choi King Ting, Charles. For the six months ended 31 October 2022, the 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 two 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 2022, 31 October 2022, 1 May 2023 and 31 October 2023	<hr/> 200,000,000	<hr/> 2,000,000
Issued and fully paid:		
At 1 May 2022, 31 October 2022, 1 May 2023 and 31 October 2023	<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	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
A related party ¹	Interest expenses on lease liabilities	–	49
	Lease liabilities	–	1,251

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 and terminated on 30 April 2023.

(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	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Salaries and allowances	1,278	1,232
Retirement benefit schemes contributions	40	62
	1,318	1,294