

19 June 2019

Bagir Group Ltd

("Bagir" or the "Company")

Update on Strategic Partnership and Current Trading

Bagir (AIM: BAGR), a designer, creator and provider of innovative tailoring, announces with regard to Shandong Ruyi's proposed \$16.5 million investment to acquire a 53.7% shareholding in Bagir, that the Company has agreed to a further extension of the unconditional completion date to 31 March 2020.

Following discussions over the last few days in Beijing with senior management from both companies, the Board has been persuaded of Shandong Ruyi's intention to complete the transaction and commitment to provide valuable operational support to the Company on the run up to the extended completion date and as previously agreed.

As announced on 13 February 2019, Shandong Ruyi committed to provide suit jacket manufacturing equipment, with an estimated market value of approximately \$1.3 million, for exclusive and indefinite use in Bagir's Ethiopian manufacturing facility, free of landed costs, for nil consideration. During our conversations, Shandong Ruyi have reconfirmed their commitment to deliver this manufacturing equipment to the Company's Ethiopian manufacturing site by the end of September 2019.

As previously announced, Shandong Ruyi granted an extension to their usual credit payment terms on the acquisition of up to 500,000 meters of wool and wool blend fabrics at market value, of which Bagir has purchased 300,000 metres so far with a value of \$2.9m. The extension to Shandong Ruyi's credit terms was previously until 30 June 2019, which Shandong Ruyi has now extended until the new completion date of 31 March 2020. This will enable Bagir to acquire the remaining 200,000 metres of wool and wool blend fabrics on advantageous credit terms.

The extension of the unconditional completion date to 31 March 2020 is conditional on Ruyi providing to Bagir all fabrics and the manufacturing equipment by the end of September 2019.

Over the last 18 months the Company has received \$3.3 million of non-refundable payments from Shandong Ruyi.

Current Trading

Whilst trading conditions have remained challenging, the Company has had a strong start to 2019 with sales in the five months ended 31 May 2019 of \$27.0m (31 May 2018: \$21.8m), with an order backlog of \$26.2m and another 3 months during which the Company can secure orders for completion in the current year.

The Company's Ethiopian manufacturing site is stabilized and producing 3,000 trousers per day and is on track to increase output to 4,000 trousers per day by the end of 2019 through improving operational efficiency.

In addition to the cost reductions achieved in 2018, the Company is planning to make further reductions to the cost operational base during H2 2019.

As a result, the Board believes that the Company has sufficient resources to support its day-to-day activities and will continue to act in order to secure its future business plans.

CEO Eran Itzhak, said:

"Following face to face conversations we have been convinced of Ruyi's intentions which together with the valuable operational support being provided a further and final extension was agreed. The business is performing reasonably well in a tough market and while we have a good pipeline of new and backlog orders to focus the operating team on, there is no doubt this is a challenging period for major retailers and manufacturers."

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