Sling Group Holdings Limited
森浩集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8285)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors of Sling Group Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The directors of the Company (the "Directors"), having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS OF ANNUAL RESULTS

- The total revenue of the Group for the year ended 31 December 2017 ("**Fiscal Year 2017**") amounted to RMB209.0 million, a slight decrease of 0.7% or RMB1.5 million as compared to RMB210.5 million for the year ended 31 December 2016 ("**Fiscal Year 2016**").

- The net profit of the Group for the Fiscal Year 2017 amounted to RMB3.8 million after paying a total of RMB13.2 million listing expenses. The net profit was reduced by RMB2.5 million, or a decrease of 39.7% compared to RMB6.3 million for the Fiscal Year 2016.

- Total revenue related to online business, both online retail points and sales to online retailers, reached RMB161.4 million, representing 18.2% growth compared to the Fiscal Year 2016. Among online business, online retail points amounted to RMB141.9 million and achieved 22.6% growth compared to the Fiscal Year 2016.

- Total revenue related to offline business amounted to RMB47.6 million as the Group continued to transfer offline retail sale points to third party retailers and focus on online marketing and distribution for cost saving reasons. While offline retail pointed lowered to RMB14.4 million, the sales to offline retailers rose to RMB33.1 million.

- As of 31 December 2017, we have over 1.15 million VIP membership accounts (as of 31 December 2016: over 0.95 million). The acquisition of new VIP members is mainly from online sale platforms.

- The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	4	**208,983**	210,481
Cost of sales		**(91,063)**	(94,478)
Gross profit		**117,920**	116,003
Other revenue and income	5	**2,888**	175
Government grants		**—**	2,140
Selling and distribution costs		**(75,699)**	(83,878)
Administrative and other operating expenses		**(22,548)**	(22,130)
Listing expenses		**(13,169)**	(1,990)
Finance costs	6	**(755)**	(689)
Profit before income tax	7	**8,637**	9,631
Income tax expense	8	**(4,798)**	(3,374)
Profit for the year		**3,839**	6,257
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to the profit or loss:			
Exchange differences on translation of foreign operations		**1,062**	(528)
Total comprehensive income for the year attributable to equity holders of the Company		**4,901**	5,729
		RMB cents	*RMB cents*
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	10	**0.91**	1.49

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	11	**1,483**	1,642
Interests in associates		**—**	—
Intangible assets	12	**2,723**	2,306
Available-for-sale financial asset		**199**	127
Deferred tax assets	18	**863**	1,501
		5,268	5,576
Current assets			
Inventories	13	**45,023**	28,669
Trade and other receivables	14	**35,746**	38,052
Amounts due from Controlling Shareholders		**9**	—
Amount due from associate		**—**	—
Income tax recoverable		**218**	1,358
Restricted cash	15	**188**	786
Cash and cash equivalents	15	**18,958**	20,193
		100,142	89,058
Current liabilities			
Trade and other payables	16	**45,219**	32,046
Bank borrowings	17	**26,395**	34,612
Amount due to a related company		**—**	17
Amount due to the then immediate holding company		**8**	21
Income tax payable		**3,816**	2,876
		75,438	69,572
Net current assets		**24,704**	19,486
Net assets		**29,972**	25,062
EQUITY			
Share capital	19	**9**	—
Reserves	20	**29,963**	25,062
Total equity attributable to equity holders of the Company		**29,972**	25,062

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to equity holders of the Company							
	Share capital *RMB'000* *(note 19)*	Capital reserve* *RMB'000* *(note 20)*	Statutory reserve* *RMB'000* *(note 20)*	Translation reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 1 January 2016	—	10,520	—	(1,190)	10,002	19,332	1	19,333
Profit for the year	—	—	—	—	6,257	6,257	—	6,257
Other comprehensive expense:								
Exchange differences on translation of foreign operations	—	—	—	(528)	—	(528)	—	(528)
Total comprehensive (expense)/income for the year	—	—	—	(528)	6,257	5,729	—	5,729
Acquisition of additional interests in a subsidiary	—	—	—	—	1	1	(1)	—
Transaction with equity holders	—	—	—	—	1	1	(1)	—
As at 31 December 2016 and 1 January 2017	—	10,520	—	(1,718)	16,260	25,062	—	25,062
Profit for the year	**—**	**—**	**—**	**—**	**3,839**	**3,839**	**—**	**3,839**
Other comprehensive income:								
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**1,062**	**—**	**1,062**	**—**	**1,062**
Total comprehensive income for the year	**—**	**—**	**—**	**1,062**	**3,839**	**4,901**	**—**	**4,901**
Issuance of share capital upon incorporation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Increase in issuance of ordinary shares	**9**	**—**	**—**	**—**	**—**	**9**	**—**	**9**
Transfer to statutory reserve	**—**	**—**	**220**	**—**	**(220)**	**—**	**—**	**—**
Transactions with equity holders	**9**	**—**	**220**	**—**	**(220)**	**9**	**—**	**9**
As at 31 December 2017	**9**	**10,520**	**220**	**(656)**	**19,879**	**29,972**	**—**	**29,972**

* The reserve accounts comprise the Group's reserves of RMB29,963,000 (2016: RMB25,062,000) in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

Sling Group Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law (as revised) of the Cayman Islands on 6 January 2017. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its principal place of business is Unit 1, 21st Floor, Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the design and sale of women's handbags, small leather goods, luggage and travel goods (the "Operating Business").

The Company's immediate and ultimate holding company is Yen Sheng Investment Limited ("Yen Sheng BVI"), a company incorporated in the British Virgin Islands and controlled by Mr. Yau Tai Leung Sammy ("Mr. Sammy Yau"), Mr. Yau Sonny Tai Nin ("Mr. Sonny Yau"), Mr. Yau Frederick Heng Chung ("Mr. Fred Yau"), Mr. Yau Nicholas Heng Wah ("Mr. Nicholas Yau") and Ms. Hiang Siu Wei Cecilia ("Ms. Cecilia Hiang").

The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 January 2018.

The consolidated financial statements for the year ended 31 December 2017 were approved for issue by the board of directors on 26 March 2018.

1.2 Basis of presentation

Prior to the incorporation of the Company and the completion of a group reorganisation (the "Reorganisation") in connection with the listing of its shares on the Stock Exchange, the Operating Business was carried out by the companies now comprising the Group (collectively referred to as the "Operating Companies"). The Operating Companies were controlled by Yen Sheng BVI, Mr. Sammy Yau, Mr. Sonny Yau, Mr. Fred Yau, Mr. Nicholas Yau, Ms. Cecilia Hiang, Ms. Li Wing Chi Agnes and Summit Time Resources Limited ("Summit Time") (collectively referred to as the "Controlling Shareholders").

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 4 December 2017. Details of the Reorganisation are set out in the paragraphs headed "Reorganisation" in the section headed "History and Development and Reorganisation" in the Company's prospectus dated 29 December 2017.

The Reorganisation only involved inserting new holding companies, which have not been engaged in any other business, immediate to the top of Sling Incorporated Limited, the Reorganisation has not resulted in any changes of economic substance. Accordingly, the consolidated financial statements of the Group for the years ended 31 December 2017 and 2016 have been prepared using the merger basis of accounting as if the current group structure has been in existence throughout the years ended 31 December 2017 and 2016, or since their respective dates of incorporation and/or establishment, whichever was shorter.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 31 December 2017 and 2016 which include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared as if the Company had always been the holding company of the Group and the current group structure has been in existence throughout the years ended 31 December 2017 and 2016, or since their respective dates of incorporation and/or establishment, whichever was shorter. The consolidated statement of financial position of the Group as at 31 December 2016 has been prepared to present the financial position of the Group as if the current group structure has been in existence at that date taking into account the respective dates of incorporation, where applicable. The assets and liabilities of the companies now comprising the Group are consolidated using their historical carrying amounts prior to the Reorganisation.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis except for financial instrument classified as available-for-sale financial asset which is stated at fair value. The measurement bases are fully described in the accounting policies below.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and its major subsidiaries, and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 to the consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 Amended HKFRSs that are effective for annual periods beginning or after 1 January 2017

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014–2016 Cycle	Disclosure of Interests in Other Entities

The impact of the adoption of the amended HKFRSs is discussed below. Other than as noted below, the adoption of these amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between the opening and closing balances of liabilities arising from financing activities is set out in note 30 to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 30 to the consolidated financial statements, the application of these amendments had no impact on the Group's consolidated financial statements.

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

Amendments to HKFRS 1 included in Annual Improvements 2014–2016 Cycle	First-time Adoption of Hong Kong Financial Reporting Standards[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28 included in Annual Improvements 2014–2016 Cycle	Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements 2015–2017 Cycle	Business Combinations, Joint Arrangements, Income Taxes and Borrowing Costs[2]
Amendments to HKAS 40	Transfer of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective date not yet determined

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies are provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

HKFRS 9 "Financial Instruments"

HKFRS 9 will replace HKAS 39 "Financial Instruments: Recognition and Measurement" in its entirety. The new standard introduces changes to HKAS 39's guidance on the classification and measurement of financial assets. Under HKFRS 9, each financial asset is classified into one of three main classification categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. An entity may make an irrevocable election at initial recognition to present in other comprehensive income for the subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Most of the HKAS 39's requirements for financial liabilities were carried forward unchanged to HKFRS 9. The requirements related to the fair value option for financial liabilities have however been changed to address own credit risk. Where an entity chooses to measure its own debt at fair value, HKFRS 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income, unless effect of changes in the liability's credit risk would create or enlarge an accounting mismatch in the profit or loss, in which case, all gains or losses on that liability are to be presented in the profit or loss.

HKFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, entities are required to account for expected credit losses when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

HKFRS 9 also provides new guidance on the application of hedge accounting. The new hedge accounting models retain the three types of hedge accounting and the requirements of formal designation and documentation of hedge accounting relationships. The new hedge accounting requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assess hedge effectiveness.

The Directors consider that the application of HKFRS 9 in the future will not have a significant impact on the Group's results and financial position.

HKFRS 15 "Revenue from Contracts with Customers" and Amendments to HKFRS 15 "Clarifications to HKFRS 15 Revenue from Contracts with Customers"

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing HKFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

The amendments to HKFRS 15 are issued with the aim to clarify certain issues on implementation of HKFRS 15.

The Directors consider that the application of HKFRS 15 and Amendments to HKFRS 15 in the future will not have a significant impact on the Group's results and financial position.

HKFRS 16 "Leases"

HKFRS 16 applies a control model to the identification of leases, distinguishing between leases and services contracts on the basis of whether there is an identified asset controlled by the customer.

HKFRS 16 introduces a single lessee accounting model and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of the lease arrangement. The initial measurement of the right-of-use asset is based on the lease liability and adjusted for any prepaid lease payments, lease incentives received, initial direct costs incurred and an estimate of costs the lessee is obliged to incur to dismantle, remove or restore the underlying asset and/or site. Subsequently, the right-of-use asset is depreciated following the requirements of HKAS 16 "Property, Plant and Equipment" and impaired, if any, following the requirements of HKAS 36 "Impairment of Assets". The lease liability is accounted for similarly to other financial liabilities using an effective interest method.

The lessor accounting requirements are not substantially changed and classification of leases as operating leases or finance leases is retained. HKFRS 16 replaces the previous leases standard HKAS 17 "Leases", and related Interpretations. An entity is allowed to apply HKFRS 16 before that date but only if it also applies HKFRS 15 "Revenue from Contracts with Customers".

As set out in note 28 to the consolidated financial statements, the operating lease commitments of the Group in respect of its leased premises as at 31 December 2017 amounted to RMB5,949,000. The Directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as a right-of-use asset and a lease liability.

4. REVENUE AND SEGMENT REPORTING

4.1 Revenue

Revenue represents the consideration received and receivable from sale of women's handbags, small leather goods, luggage and travel goods through different channels, net of value-added tax, returns, rebates and discounts and were analysed as follows:

	2017	2016
	RMB'000	*RMB'000*
Online retail sales	**141,913**	115,719
Offline retail sales	**14,421**	48,694
Wholesale to offline retailers	**33,145**	25,203
Wholesale to online retailers	**19,504**	20,865
	208,983	210,481

4.2 Segment information

The Group's operating activities are attributable to a single reportable and operating segment focusing primarily on the wholesale and retail of women's handbags, small leather goods, luggage and travel goods. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision maker (the "CODM"), being the executive directors of the Company. The CODM mainly reviews revenue derived from the wholesale and retail of women's handbags, small leather goods, luggage and travel goods. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly other than the entity-wide disclosure, no segment analysis is presented.

Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, intangible assets and interests in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, the location of the operations to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interests in associates.

	2017 ***RMB'000***	2016 *RMB'000*
Revenue from external customers		
The PRC (excluding Hong Kong)	**208,975**	210,024
Hong Kong	**8**	457
	208,983	210,481
Specified non-current assets		
The PRC (excluding Hong Kong)	**3,879**	3,505
Hong Kong	**327**	443
	4,206	3,948

Information about major customers

During the year ended 31 December 2017, none of the Group's customers contributed more than 10% of the Group's revenue (2016: Nil).

5. OTHER REVENUE AND INCOME

	2017	2016
	RMB'000	*RMB'000*
Other revenue		
Service income	**1,599**	—
Bank interest income	**138**	53
Dividend and interest income from available-for-sale financial asset	**2**	5
Loan interest from the then immediate holding company *(note)*	**—**	33
	1,739	91
Other income		
Exchange gain, net	**1,103**	—
Sundry income	**46**	84
	1,149	84
	2,888	175

Note: Loan to the then immediate holding company is unsecured, interest-bearing at 5% per annum, and has been fully repaid during the year ended 31 December 2016.

6. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
Interest charges on:		
— Bank borrowings	**755**	689

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

	2017	2016
	RMB'000	*RMB'000*
Auditor's remuneration	**593**	226
Cost of inventories recognised as an expense	**88,983**	92,758
Write-down of inventories to net realisable value	**706**	—
Impairment losses on trade and other receivables	**—**	268
Impairment losses on amounts due from associates	**—**	279
Amortisation of intangible assets	**88**	94
Depreciation of property, plant and equipment	**711**	2,194
Losses on written-off of property, plant and equipment	**11**	255
Staff costs (including directors' emoluments)		
— Salaries, allowances and other benefits	**14,658**	12,755
— Contributions to retirement benefit schemes	**3,150**	3,644
Operating lease charges on premises		
— Minimum lease payments	**5,208**	9,095
— Contingent lease payments *(note)*	**1,619**	5,947
Exchange (gain)/losses, net	**(1,103)**	1,520

Note: The contingent lease payments refer to the operating lease rentals based on pre-determined percentages to realised sales less the basic rentals of the respective leases.

8. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

PRC Enterprise Income Tax (the "PRC EIT") in respect of the Group's operations in the PRC has been calculated at the rate of 25% (2016: 25%) on the estimated assessable profit for the year arising from the PRC.

	2017	2016
	RMB'000	*RMB'000*
Current tax		
Hong Kong Profits Tax		
— Current year	**573**	310
— (Over)/Under-provision in respect of prior years	**(235)**	84
The PRC EIT		
— Current year	**3,698**	2,320
— Under-provision in respect of prior years	**124**	343
	4,160	3,057
Deferred tax		
— Charged to the profit or loss *(note 18)*	**638**	317
Income tax expense	**4,798**	3,374

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2017	2016
	RMB'000	*RMB'000*
Profit before income tax	**8,637**	9,631
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**2,867**	2,464
Tax effect of non-deductible expenses	**2,122**	473
Tax effect of non-taxable income	**(90)**	(1)
Recognition of deductible temporary differences previously not recognised	**10**	11
(Over)/Under-provision in respect of prior years	**(111)**	427
Income tax expense	**4,798**	3,374

9. DIVIDENDS

No dividend was declared or paid by the Group during the year ended 31 December 2017 to its equity holders (2016: Nil).

10. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit attributable to equity holders of the Company and 420,000,000 ordinary shares for the years ended 31 December 2017 and 2016, which have been adjusted retrospectively on the assumption that the Reorganisation and the Capitalisation Issue (note 19d) had been effective on 1 January 2016.

	2017	2016
	RMB'000	*RMB'000*
Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share	**3,839**	6,257

There were no dilutive potential ordinary shares during the years ended 31 December 2017 and 2016 and therefore, diluted earnings per share equals to basic earnings per share.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement *RMB'000*	Office equipment *RMB'000*	Computer equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
As at 1 January 2016					
Cost	6,857	765	139	288	8,049
Accumulated depreciation	(3,992)	(521)	(124)	(124)	(4,761)
Net book amount	2,865	244	15	164	3,288
Year ended 31 December 2016					
Opening net book amount	2,865	244	15	164	3,288
Additions	670	101	—	—	771
Written-off	(255)	—	—	—	(255)
Depreciation	(1,999)	(129)	(11)	(55)	(2,194)
Exchange differences	30	—	1	1	32
Closing net book amount	1,311	216	5	110	1,642
As at 31 December 2016 and 1 January 2017					
Cost	5,044	868	149	288	6,349
Accumulated depreciation	(3,733)	(652)	(144)	(178)	(4,707)
Net book amount	1,311	216	5	110	1,642
Year ended 31 December 2017					
Opening net book amount	**1,311**	**216**	**5**	**110**	**1,642**
Additions	**321**	**581**	**1**	**—**	**903**
Written-off	**—**	**(11)**	**—**	**—**	**(11)**
Transfers	**(313)**	**—**	**—**	**—**	**(313)**
Depreciation	**(486)**	**(170)**	**(5)**	**(50)**	**(711)**
Exchange differences	**(27)**	**—**	**—**	**—**	**(27)**
Closing net book amount	**806**	**616**	**1**	**60**	**1,483**
As at 31 December 2017					
Cost	**2,605**	**1,196**	**64**	**288**	**4,153**
Accumulated depreciation	**(1,799)**	**(580)**	**(63)**	**(228)**	**(2,670)**
Net book amount	**806**	**616**	**1**	**60**	**1,483**

12. INTANGIBLE ASSETS

	Trademark *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
As at 1 January 2016			
Cost	2,250	287	2,537
Accumulated amortisation	—	(184)	(184)
Net book amount	2,250	103	2,353
Year ended 31 December 2016			
Opening net book amount	2,250	103	2,353
Additions	—	47	47
Amortisation	—	(94)	(94)
Closing net book amount	2,250	56	2,306
As at 31 December 2016 and 1 January 2017			
Cost	2,250	334	2,584
Accumulated amortisation	—	(278)	(278)
Net book amount	2,250	56	2,306
Year ended 31 December 2017			
Opening net book amount	**2,250**	**56**	**2,306**
Additions	**—**	**505**	**505**
Amortisation	**—**	**(88)**	**(88)**
Closing net book amount	**2,250**	**473**	**2,723**
As at 31 December 2017			
Cost	**2,250**	**839**	**3,089**
Accumulated amortisation	**—**	**(366)**	**(366)**
Net book amount	**2,250**	**473**	**2,723**

13. INVENTORIES

	2017 ***RMB'000***	2016 *RMB'000*
Finished goods	**45,023**	28,669

As at 31 December 2017, the inventories with carrying amounts of RMB804,000 (2016: RMB728,000) were carried at net realisable values.

14. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	**20,676**	23,692
Less: provision for impairment	**—**	(1,030)
	20,676	22,662
Deposits, prepayments and other receivables		
Prepaid expenses		
— to a related company controlled by three of the Controlling Shareholders	**562**	—
— to third parties	**5,929**	4,080
	6,491	4,080
Rental and other deposits	**2,006**	2,466
Prepaid listing expenses	**4,879**	693
Other receivables, net of impairment *(note)*	**1,694**	8,151
	15,070	15,390
	35,746	38,052

Note: As at 31 December 2017, the Group has determined other receivables of RMB120,000 (2016: RMB120,000) as individually impaired. Based on this assessment, impairment losses of RMBNil (2016: RMB120,000) has been recognised for the year ended 31 December 2017.

Before accepting any new customer, the Group applied an internal credit assessment policy to assess the potential customer's credit quality. The credit period is generally for a period of 0 to 90 days (2016: 0 to 90 days). Overdue balances are reviewed regularly by senior management.

The ageing analysis of trade receivables at the end of the reporting date, based on the revenue recognition dates and net of impairment, is as follows:

	2017	2016
	RMB'000	*RMB'000*
0–90 days	**13,321**	14,657
91–180 days	**5,820**	4,569
181–365 days	**966**	3,152
Over 365 days	**569**	284
	20,676	22,662

The movement in the provision for impairment of trade receivables is as follows:

	2017	2016
	RMB'000	*RMB'000*
At the beginning of the year	**1,030**	867
Impairment losses recognised	**—**	148
Exchange differences	**—**	15
Written-off	**(1,030)**	—
At the end of the year	**—**	1,030

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2017, the Group has determined trade receivables of RMBNil (2016: RMB1,030,000) as individually impaired. Based on this assessment, impairment losses of RMBNil (2016: RMB148,000) has been recognised for the year ended 31 December 2017. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

The ageing analysis of trade receivables that were past due at the end of the reporting date but not impaired and net of impairment, bases on due dates is as follows:

	2017	2016
	RMB'000	*RMB'000*
Neither past due nor impaired	**8,192**	11,037
1–90 days past due	**8,830**	7,817
91–365 days past due	**3,572**	3,524
Over 365 days past due	**82**	284
	20,676	22,662

As at 31 December 2017, trade receivables of RMB8,192,000 (2016: RMB11,037,000) were neither past due nor impaired. These related to a number of independent customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record of credit with the Group. Based on past credit history, management believe that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

15. CASH AND CASH EQUIVALENTS

	2017	2016
	RMB'000	*RMB'000*
Restricted cash	**188**	786
Cash and cash equivalents	**18,958**	20,193
	19,146	20,979

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Included in restricted cash and cash and cash equivalents of the Group of approximately RMB17,963,000 (2016: RMB13,737,000) as at 31 December 2017 are the balances denominated in RMB placed with banks and financial institutions in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

16. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
Trade payables		
— to a related company controlled by three of the Controlling Shareholders	**—**	1,162
— to third parties	**22,680**	11,478
	22,680	12,640
Accrued charges and other payables		
Accrued expenses		
— to a related company significantly influenced by a director	**420**	355
— to third parties	**14,180**	9,095
	14,600	9,450
Deposits received	**1,909**	2,233
Other tax payables	**4,244**	5,798
Receipts in advance	**1,674**	1,779
Deferred revenue	**112**	146
	22,539	19,406
	45,219	32,046

The Group was granted by its suppliers credit periods ranging from 0 to 90 days (2016: 0 to 90 days). Based on the date of goods received, the ageing analysis of trade payables as at 31 December 2017 is as follows:

	2017	2016
	RMB'000	*RMB'000*
0–90 days	**21,629**	12,114
91–180 days	**586**	—
181–365 days	**—**	257
Over 365 days	**465**	269
	22,680	12,640

17. BANK BORROWINGS

	2017	2016
	RMB'000	*RMB'000*
Bank loans, wholly repayable within one year or on demand		
— Secured *(note a)*	**26,395**	23,642
— Unsecured *(note b)*	**—**	10,970
	26,395	34,612

Note:

(a) As at 31 December 2017, bank borrowings of RMB26,395,000 (2016: RMB23,642,000) are secured, repayable within one year or on demand. The bank borrowings bear interest rate at 1.75% (2016: 1.75%) per annum over HIBOR and secured by:

(i) Personal guarantees given by Mr. Sammy Yau, Mr. Sonny Yau and Mr. Brian Lee; and

(ii) Legal charges over certain properties owned by Unigrade International Limited, a related company controlled by Mr. Sammy Yau, Mr. Sonny Yau, Mr. Fred Yau and Mr. Nicholas Yau.

(b) As at 31 December 2017, bank borrowings of RMBNil (2016: RMB10,970,000) are unsecured, repayable within one year or on demand. The bank borrowings bear interest rate at 1.75% per annum over cost of funds of the lender and guaranteed by:

(i) Personal guarantees given by Mr. Sammy Yau, Mr. Sonny Yau and Mr. Brian Lee; and

(ii) Corporate guarantee given by Yen Sheng Factory.

(c) The above guarantees and legal charges will be released and replaced by a corporate guarantee given by the Company upon listing.

18. DEFERRED TAX

The movement in deferred tax assets during the year is as follows:

	Provisions *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
As at 1 January 2016	1,873	(55)	1,818
Recognised in the profit or loss *(note 8)*	163	(480)	(317)
As at 31 December 2016 and 1 January 2017	**2,036**	**(535)**	**1,501**
Recognised in the profit or loss *(note 8)*	**(1,173)**	**535**	**(638)**
As at 31 December 2017	**863**	**—**	**863**

As at 31 December 2017, the aggregate amount of temporary differences associated with the undistributed profits of the Company's PRC subsidiaries amounted to approximately RMB32,989,000 (2016: RMB20,137,000). Deferred income tax liabilities have not been recognised amounting to approximately RMB1,649,000 (2016: RMB1,007,000) in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries.

19. SHARE CAPITAL

	Number of shares	**RMB'000**
Authorised:		
Ordinary shares of HK$0.01 each upon incorporation *(note a)*	**1,000,000**	**9**
Increase in authorised share capital *(note b)*	**1,109,000,000**	**9,234**
As at 31 December 2017	**1,110,000,000**	**9,243**
Issued and fully paid:		
Ordinary share of HK$0.01 upon incorporation *(note a)*	**1**	**—**
Issuance of ordinary shares *(note a)*	**999,999**	**9**
As at 31 December 2017	**1,000,000**	**9**

Note:

(a) The Company was incorporated on 6 January 2017 with an authorised share capital of HK$10,000 divided into 1,000,000 shares of HK$0.01 each and has not carried on any business since the date of incorporation except for the Reorganisation. On the date of incorporation, one nil-paid share was allotted and issued. On 28 February 2017, 999,999 nil-paid shares were allotted and issued.

(b) Pursuant to the written resolution of the shareholders passed on 15 December 2017, the authorised share capital of the Company was increased from HK$10,000 to HK$11,100,000 by creation of an additional of 1,109,000,000 shares of HK$0.01 each.

(c) There was no authorised and issued capital as at 31 December 2016 since the Company has not yet been incorporated.

(d) On 15 January 2018, 140,000,000 shares of HK$0.01 each of the Company were allotted and issued at a price of HK$0.43 per share by way of public offer and placing (the "Share Offer").

The proceeds of HK$1,400,000 (equivalent to approximately RMB1,166,000) represents the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$58,800,000 (equivalent to approximately RMB48,959,000), before issuing expenses, were credited to the Company's share premium account. The shares allotted and issued rank pari passu in all respects with the existing issued shares.

Pursuant to the written resolutions of the shareholders passed on 15 December 2017, subject to the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to allot and issue a total of 419,000,000 shares credited as fully paid at par to Yen Sheng BVI and Summit Time by way of capitalisation of the sum of HK$4,190,000 (equivalent to approximately RMB3,489,000) standing to the credit of the share premium account of the Company (the "Capitalisation Issue"). The Capitalisation Issue was completed on 16 January 2018. The shares allotted and issued rank pari passu in all respects with the then existing issued shares.

20. RESERVES

The amounts of the Group's reserves and the movements during the year ended 31 December 2017 are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Capital reserve

Capital reserve of the Group as at 31 December 2017 represents the difference between the nominal value of the share capital of a subsidiary acquired by the Group and the nominal value of the Company's shares issued for the acquisition under the Reorganisation.

Capital reserve of the Group as at 31 December 2016 represents the share capital of entities comprising the Group as a result of the Reorganisation.

Statutory reserve

In accordance with the Company Law of the PRC, each of the subsidiaries of the Company that was registered in the PRC is required to appropriate 10% of the annual statutory profit after income tax (after offsetting any prior years' losses), determined in accordance with relevant accounting principles and financial regulations applicable to the enterprise established in the PRC (the "PRC GAAP"), to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital.

21. OPERATING LEASE COMMITMENTS

At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	2017	2016
	RMB'000	*RMB'000*
Within one year	**4,734**	6,398
In the second to fifth years	**1,215**	4,070
	5,949	10,468

The Group leases a number of premises which comprises office, warehouses, retail shops and department store counters under operating leases. The leases run for an initial period of one to three years (2016: one to three years), with an option to renew and renegotiate the lease terms at the expiry dates or at dates as mutually agreed between the Group and respective landlords.

Certain retail shops and department store counters include payment obligations with rental varied with gross revenue. The contingent lease payments are determined generally by applying pre-determined percentages to realised sales less the basic rentals of the respective leases.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's business has been implemented with focus in marketing online sales and transferring offline retail points to third party retailers.

During the fiscal year, the Group has experienced strong 22.6% sale growth in online retail sales on both Elle and Jessie & Jane brands. Total online retail sales rose from RMB115.7 million to RMB141.9 million. We expect the online retail sales will continue to perform well in 2018.

Due to the implementation of retail transfer plan, the Group self-operated stores have dropped to 5 from 29. The Group has partnered with third party retailers to transfer our offline retail points to them so as to contain operating costs, to leverage on their market network and to focus on our strength in marketing and distribution. After the transfer, total offline retail points reduced slightly from 114 to 110. The sales contributing from offline retail points reduced from RMB48.7 million to RMB14.4 million. As a result of the business plan, the Group has realised significant cost saving in operations. While the staff salaries and welfares under selling and distribution costs have reduced by estimated RMB1.5 million, rental and turnover rent dropped by RMB8.2 million.

The sales to offline retailers continue to rise to RMB33.1 million as more sales have been generated from the sales to offline retailers. The offline retail points operated by third party retailers increased from 85 to 105. The number of third party offline retailers rose from 39 to 42.

For the channel in online retail points, the Group utilised i) video and photo-shooting; ii) catalogs and online retail point display updates and iii) advertisement promotion on social media platform to drive for more sales. For example, the Group ranked first with T-mall during Double 11 shopping festival in women's handbag category. This segment witnessed highest sale growth among all other sale channels. It remains the principal sale driver, contributing approximately 67.9% of total sales, and profit contributor to the Group, contributing approximately 73.6% of total gross profit.

With the business strategy to focus on online sale and marketing, and make adjustment in offline sale channels, the Group's profitability has enhanced. Selling and distribution costs have dropped significantly by RMB8.2 million from RMB83.9 million to RMB75.7 million in spite of 0.7% lower total sales. We manage to keep administrative and other operating expenses at RMB22.5 million, compared to RMB22.1 million in 2016. Net profit recorded at RMB3.8 million after paying RMB13.2 million listing expenses.

Principal Risks and Uncertainties

Our Group's faces several risk and uncertainty factors that may affect the operating results and business prospects. There may have other risks and uncertainties in addition to those listed below which are not known to the Group or which may not be material now but could turn out to be material in the future.

The markets we serve are seasonal and sensitive to domestic economic conditions and events which may cause our operating results to fluctuate.

Our products are sold in highly competitive markets that we compete in products development, product quality, competitive pricing; and adapt to fast changing consumer behavior.

Our future success depends to a significant degree upon the continued contributions of our management team and key personnel.

Our failure to renew our license agreement to the use of ELLE band or maintain proper operation of the e-commerce platforms which are operated by third parties may result in monetary penalties and would have a material adverse effect on us.

Relationship with Key Stakeholders

Business relationship with customers and suppliers are crucial for business success. The Company is dedicated to create fair manner while balancing interests of various stakeholders of our Group. We engage our employees, customers, regulators, business partners and community through variety of stakeholder engagement channels. The Group provides quality service and products to our customers. The Group also viewed our suppliers as strategic partner. Lastly the Group values its employees as one of its greatest strengths and assets and strive to provide equal opportunities to employees.

On turnover, the Group's total sales dropped slightly by RMB1.5 million to RMB209.0 million (2016: RMB210.5 million) after executing the transfer plan to adjust our marketing channel.

Revenue by sales channel, the Group acheived RMB141.9 million sales from online retail points (2016: RMB115.7 million), representing 67.9% of total sales (2016: 55.0%). Sales to online retailers kept at RMB19.5 million (2016: RMB20.9 million). Total sales related to these online business amounted to RMB161.4 million (2016: RMB136.6 million). The online business achieved 18.2% growth compared to 2016.

Offline retail point dropped to RMB14.4 million (2016: RMB48.7 million) as the Group transferred retail points to third party retailers. The sales to offline retailers as a result rose to RMB33.1 million (2016: RMB25.2 million). Total sales related to these offline business recorded at RMB47.5 million (2016: RMB73.9 million). The offline business recorded 35.7% reduction.

	Year ended 31 December				Increase/	Growth/
	2017		2016		(Decrease)	(Drop) rate
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Retail Sales						
Online retail sales	**141,913**	**67.9%**	115,719	55.0%	26,194	22.6%
Offline retail sales	**14,421**	**6.9%**	48,694	23.1%	(34,273)	−70.4%
Wholesale						
Wholesale to offline retailers	**33,145**	**15.9%**	25,203	12.0%	7,942	31.5%
Wholesale to online retailers	**19,504**	**9.3%**	20,865	9.9%	(1,361)	−6.5%
	208,983	**100.0%**	210,481	100.0%	(1,498)	−0.7%

Revenue by brand, ELLE products lowered to RMB131.0 million (2016: RMB149.9 million) after transferring and closing down a number of self-operated retail points, mainly ELLE brand, for cost saving reason. Jessie & Jane product continued to witness high growth rate. The sales reached RMB78.0 million (2016: RMB60.6 million), representing 28.7% sale growth.

	Year ended 31 December				Increase/	Growth/
	2017		2016		(Decrease)	(Drop) rate
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
ELLE	**131,024**	**62.7%**	149,887	71.2%	(18,863)	−12.6%
Jessie & Jane	**77,959**	**37.3%**	60,594	28.8%	17,365	28.7%
	208,983	**100.0%**	210,481	100.0%	(1,498)	−0.7%

The Group's gross profit increased slightly to approximately RMB117.9 million (2016: RMB116.0 million). Our gross profit margins for the years ended 31 December 2017 and 2016 were approximately 56.4% and 55.1% respectively. The slight improvement were attributed to higher sale portion in online retail sales.

The Group selling and distribution costs fell significantly by 9.8% from RMB83.9 million to RMB75.7 million. As we had anticipated rising operating costs in retailing, such as salary and rental, the management adjusted marketing strategy to a more cost effective way of capturing the fast changing consumer shopping habit in online purchase.

For administrative and other operating expenses, the Group managed up slightly to RMB22.5 million from RMB22.1 million in spite of rising wages.

After paying RMB13.2 million listing expenses, profit for the year achieved RMB3.8 million, compared to RMB6.3 million in 2016. The net profit margin for the year was 1.8%.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 31 December 2017,

(a) the Group's total assets increased to approximately RMB105.4 million (2016: approximately RMB94.6 million) while the total equity increased to approximately RMB30.0 million (2016: approximately RMB25.1 million);

(b) the Group's current assets increased to approximately RMB100.1 million (2016: approximately RMB89.1 million) while the current liabilities increased to approximately RMB75.4 million (2016: approximately RMB69.6 million);

(c) the Group had approximately RMB19.1 million in cash and cash equivalents (2016: approximately RMB21.0 million), and the current ratio of the Group was approximately 1.3 times (2016: approximately 1.3 times);

(d) the Group had bank borrowings, of approximately RMB26.4 million (2016: approximately RMB34.6 million), leaving RMB31.9 million uncommitted banking facilities available for future utilisation.

(e) the gearing ratio (calculated based on total debt divided by total equity as at the end of the year and multiplied 100%) of the Group was approximately 88.1% (2016: approximately 138.1%).

The Group is of the opinion that, after taking into consideration of the internal available financial resources and the current banking facilities, it has sufficient funds to finance internal operations and meet the financial obligations.

CAPITAL EXPENDITURE

As at 31 December 2017, the Group has approximately RMB1.4 million of capital expenditure (2016: approximately RMB0.8 million).

SIGNIFICANT INVESTMENTS

As at 31 December 2017, the Group did not hold any significant investments (2016: Nil).

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities or off-balance sheet obligation (2016: Nil).

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 31 December 2017, the Group did not have any assets pledged to secure general banking facilities (2016: Nil). The Group's related company had assets and the directors of the Company and the then immediate holding company of the Group have given personal and corporate guarantees to secure general banking facilities. All these assets and guarantees have been released by the banks after listing.

PROSPECT

The management believes that the consumption in China continues to grow with increased purchasing power and steady economic growth. The direct online sales to consumers is anticipated to perform better than retailing in the forthcoming years. With financial resources raised through initial public offering, we will put additional resources in marketing through social media, strengthening product design capability, supporting offline retail opening and refurbishment, and upgrading information technology system. In particular, the management plans to enhance online to offline shopping experience and product information with flagship stores to present the products of both ELLE and Jessie & Jane to targeted consumers.

The management aims to strengthen our market position, as well as brand awareness, in the women's handbag market in China. With all these business plans, we believe that the Group will capture increasing market share.

FOREIGN CURRENCY EXPOSURE

The Group's businesses are solely operated in China. The sales and purchases are mainly denominated in Renminbi ("RMB") and customers rarely request to settle our billing by other foreign currencies such as United States dollar and Hong Kong dollar ("HKD"). Except the bank borrowings, the Group's assets, liabilities and transactions were mainly denominated in RMB in the year. The HKD borrowings were at short-term nature and could be repaid at request.

The Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks and only a small portion of HKD borrowings is outstanding after listing on 16 January 2018. With sufficient cash on hand, the Group is in net cash position to meet financial needs. Therefore, no hedging arrangements are made. However, the Group will review and monitor the relevant foreign exchange risk from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when applicable.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Group was listed on the GEM on 16 January 2018.

As at the date of this report, the Directors do not anticipate any significant change to the use of net proceeds. The Group will apply the proceeds in the same manner and proportion as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

HUMAN RESOURCES

As at 31 December 2017, the Group had 100 employees (2016: 122) in Hong Kong and the PRC. We believe that hiring, motivating and retaining qualified employees are crucial to our success as a online and offline distributor. Total staff costs (including Directors' emoluments) were RMB17.8 million for the year ended 31 December 2017 (2016: RMB16.4 million). The remuneration packages of the Group's employees include salaries, bonus, retirement benefit scheme contributions and other benefits. The remuneration policies of the Group, including promotion, bonus, salary increment and other benefits, are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly. The dedication and hard work of the Group's staff during the year ended 31 December 2017 are generally appreciated and recognised.

FINAL DIVIDEND

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

ANNUAL GENERAL MEETING

The Annual General Meeting ("**the AGM**") of the Company will be held on 7 May, 2018 (Monday). The notice of AGM, which constitutes part of the circular to shareholders, will be sent together with the 2017 Annual Report in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from 2 May 2018 to 7 May 2018, both days inclusive during which period no share transfer will be registered. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 30 April 2018.

CORPORATE GOVERNANCE

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. During the period from 16 January 2018 (the "**Listing Date**") to the date of this announcement, the Company has complied with the applicable code provisions of the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct ("**Code of Conduct**") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the year ended 31 December 2017 and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Since the listing of the shares of the Company was subsequent to the year ended 31 December 2017, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of such listed securities for the year ended 31 December 2017.

AUDIT COMMITTEE

The Company established the Audit Committee on 15 December 2017 with written terms of reference. The full terms of reference setting out details of duties of the Audit Committee is available on the websites of the Stock Exchange and the Company. The Audit Committee comprises three independent non-executive Directors, namely Mr. Tong Raymond Kwok Kong, Mr. Won Chik Kee and Mr. Feng Dai. Mr. Won Chik Kee is the Chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the Company's internal control and risk management system, overseeing the balance, transparency and integrity of the Company's financial statements and the application of financial reporting principles, reviewing the relationship with the external auditor and its independence assessment and the adequacy of resources, qualifications and experience of the Company's accounting staff, their training programs and budget.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2017.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of Hong Kong Exchanges and Clearing Limited ("**HKEx**") www.hkgem.com and on the Company's website at www.sling-inc.com.hk. The 2017 Annual Report of the Company will be dispatched to the shareholders and will be available on the websites of HKEx and the Company in due course.

By Order of the Board of
Sling Group Holdings Limited
Yau Frederick Heng Chung
Chairman

Hong Kong, 26 March 2018

As at the date of this announcement, (i) the executive Directors are Mr. Yau Frederick Heng Chung, Mr. Lee Tat Fai Brian and Mr. Yip Chun Wai; (ii) the non-executive Directors are Mr. Yau Sonny Tai Nin and Mr. Yau Tai Leung Sammy; and (iii) the independent non-executive Directors are Mr. Tong Raymond Kwok Kong, Mr. Won Chik Kee and Mr. Feng Dai.

This announcement will remain on the "Latest Company Announcements" page of GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company's website as www.sling-inc.com.hk.