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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2018

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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.

FIRST QUARTERLY RESULTS

The board of Directors (the "**Board**") is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the "**Group**") for the three months ended 31 March 2018, together with the unaudited comparative figures for the three months ended 31 March 2017. The financial information is as follows:

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

For the three months ended 31 March 2018

		Three months ended 31 March	
		2018	2017
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**39,144**	53,118
Cost of sales		**(17,256)**	(23,988)
Gross profit		**21,888**	29,130
Other revenue and income		**1,254**	22
Selling and distribution costs		**(14,685)**	(18,593)
Administrative and other operating expenses		**(5,999)**	(5,070)
Listing expenses		**(102)**	(1,272)
Finance costs		**(81)**	(209)
Profit before income tax	*7*	**2,275**	4,008
Income tax expense	*6*	**(636)**	(1,142)
Profit for the period		**1,639**	2,866
Other comprehensive income			
Item that may be reclassified subsequently to the profit or loss:			
Exchange differences on translation of foreign operations		**798**	118
Total comprehensive income for the period attributable to equity holders of the Company		**2,437**	2,984
		RMB cents	*RMB cents*
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	*9*	**0.30**	0.68

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2018

	Attributable to equity holders of the Company						
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Translation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
As at 1 January 2017	—	—	10,520	—	(1,718)	16,260	25,062
Profit for the period	—	—	—	—	—	2,866	2,866
Other comprehensive income:							
Exchange differences on translation of foreign operations	—	—	—	—	118	—	118
Total comprehensive income for the period	—	—	—	—	118	2,866	2,984
Issuance of share capital upon incorporation	9	—	—	—	—	—	9
Issuance of share capital of Sling Investment Limited	—	—	9	—	—	—	9
Transactions with equity holders	9	—	9	—	—	—	18
As at 31 March 2017 (unaudited)	9	—	10,529	—	(1,600)	19,126	28,064

	Attributable to equity holders of the Company						
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Translation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
As at 1 January 2018	9	—	10,520	220	(656)	19,879	29,972
Profit for the period	—	—	—	—	—	1,639	1,639
Other comprehensive income:							
Exchange differences on translation of foreign operations	—	—	—	—	798	—	798
Total comprehensive income for the period	—	—	—	—	798	1,639	2,437
Issuance of ordinary shares pursuant to the Share Offer	1,117	46,935	—	—	—	—	48,052
Issuance of ordinary shares pursuant to the Capitalisation Issue	3,344	(3,344)	—	—	—	—	—
Expenses incurred in connection with the issuance of ordinary shares	—	(8,565)	—	—	—	—	(8,565)
Transactions with equity holders	4,461	35,026	—	—	—	—	39,487
As at 31 March 2018 (unaudited)	**4,470**	**35,026**	**10,520**	**220**	**142**	**21,518**	**71,896**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 the Group is principally engaged in the design and sale of women's handbags, small leather goods, luggage and travel goods.

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. Yau Sonny Tai Nin, Mr. Yau Frederick Heng Chung, Mr. Yau Nicholas Heng Wah and Ms. Hiang Siu Wei Cecilia.

The Company's shares are listed on the GEM of the Exchange on 16 January 2018.

2. BASIS OF PRESENTATION

Pursuant to a group reorganisation of the Company in connection with the listing of its shares on the Exchange (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 has not resulted in any changes of economic substance. Accordingly, the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2017 have been prepared using the merger basis of accounting as if the current group structure has been in existence throughout the three months ended 31 March 2017, or since their respective dates of incorporation and/or establishment, whichever was shorter.

3. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2018 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Exchange.

The unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2017. The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2017.

HKICPA has issued a number of new and amended HKFRSs. For those which are effective for accounting period beginning on 1 January 2018, the adoption of theses amended HKFRSs had no material impact on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. The Group has not early adopted any new and amended HKFRSs that are relevant to the Group have been issued but are not yet effective for the current accounting period.

The unaudited condensed 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 unaudited condensed 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.

The preparation of the unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the accounting policies of the Group.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

4. 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:

	Three months ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Online retail sales	**24,015**	32,461
Offline retail sales	**2,023**	6,821
Wholesale to offline retailers	**7,618**	9,817
Wholesale to online retailers	**5,488**	4,019
	39,144	53,118

5. 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.

	Three months ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from external customers		
The People's Republic of China (the "**PRC**") (excluding Hong Kong)	**39,143**	53,115
Hong Kong	**1**	3
	39,144	53,118

	As at 31 March	As at 31 December
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Specified non-current assets		
The PRC (excluding Hong Kong)	**3,713**	3,879
Hong Kong	**810**	327
	4,523	4,206

Information about major customers

During the three months ended 31 March 2018 and 2017, none of the Group's customers contributed more than 10% of the Group's revenue.

6. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the three months ended 31 March 2018 and 2017.

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% on the estimated assessable profit for the three months ended 31 March 2018 and 2017 arising from the PRC.

	Three months ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong Profits Tax		
— Current period	**—**	214
The PRC EIT		
— Current period	**636**	946
	636	1,160
Deferred tax		
— Credited to the profit or loss	**—**	(18)
Income tax expense	**636**	1,142

7. PROFIT BEFORE INCOME TAX

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

	Three months ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	**17,137**	23,071
Amortisation of intangible assets	**35**	18
Depreciation of property, plant and equipment	**200**	263
Staff costs (including directors' emoluments)		
— Salaries, allowances and other benefits	**3,658**	3,547
— Contributions to retirement benefit schemes	**486**	931
Operating lease charges on premises		
— Minimum lease payments	**1,161**	2,123
— Contingent lease payments *(note)*	**623**	919
Exchange (gain)/losses, net	**(331)**	86

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. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2018 and 2017.

9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to equity holders of the Company is based on the following:

	Three months ended 31 March	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to equity holders of the Company	**1,639**	2,866
Number of shares		
Weighted average number of ordinary shares (in thousands)	**538,222**	420,000

The weighted average number of ordinary shares for the three months ended 31 March 2017 has been adjusted retrospectively on the assumption that the Reorganisation and the Capitalisation Issue (note) had been effective on 1 January 2017.

There were no dilutive potential ordinary shares during the three months ended 31 March 2018 and 2017 and therefore, diluted earnings per share equals to basic earnings per share.

Note: 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**").

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 Resources Limited by way of capitalisation of the sum of HK$4,190,000 (equivalent to approximately RMB3,344,000) standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**"). The Capitalisation Issue was completed on 16 January 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the three months ended 31 March 2018, the Group recorded a revenue of RMB39.1 million which represents the decrease by 26.3% as compared to the same period of last year. The main reason for such decrease was attributable to the revenue drop in online retail sales by 26.0%. The Group online sales' performance is much dependent on our performance on the No. 1 leading B2C e-commerce platform in China. Also, our sales performance at this online platform can be largely influenced by the traffic we receive at our online flagship brand stores. In 2018, this platform's strategy has changed significantly, and diverted important resources and exposure to i) affordable luxury brands, ii) fast fashion international brands, and iii) new high growing product categories such as cosmetics, watches & jewelry. As a result, we have seen significant decline in traffic to our online stores.

Also, the revenue in offline retail sales continues to drop as our strategy to streamline directly operated offline retail points. The impact is forecast to be lesser as the transferring our retail points to third party retailers is nearly completed.

We believe that the Group's ability to sustain sale growth. The Group has increased spending on paid traffic to regain our sales momentum in the next few quarters. We have also stepped up marketing effort to gain more repeat purchases from our VIPs that will not rely heavily on free traffic provided by the No. 1 platform. For the three months ended 31 March 2018, the growth of VIP numbers in ELLE T-mall and Jessie & Jane T-mall remain steady. Further, we have been expanding our collaboration with other major online platforms in China to increase our sales and different customers. More merchandise for display and purchase are added at these platforms. With additional financial resource after listing on 16 January 2018, the Group will participate in more marketing and promotion with the target platform operators. All these marketing efforts will pave the way for steady growth in the next several quarters.

FUTURE PROSPECTS

In view of the fast changing consumer behavior and competition for resources in the online sales platforms, our Group will continue to be responsive to business partners and consumer markets. In particular, we will deploy more marketing resources in social media events, strengthen product design capability, and partner with strategic third party retailers in 2018. Jessie & Jane brand will participate the Paris Fashion Show in the coming October to gain more international exposure.

With offline and online presence for ELLE and Jessie & Jane brands, our Group is well-positioned to capture various consumers' needs in the market.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB14.0 million, or 26.3%, from approximately RMB53.1 million for the three months ended 31 March 2017 to approximately RMB39.1 million for the three months ended 31 March 2018.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately RMB7.2 million, or 24.9%, from approximately RMB29.1 million for the three months ended 31 March 2017 to approximately RMB21.9 million for the three months ended 31 March 2018. The drop was largely attributable to the declined sales in the three months ended 31 March 2018.

Our gross profit margins for the three months ended 31 March 2017 and the three months ended 31 March 2018 were approximately 54.8% and 55.9% respectively, which had been maintained at a stable level.

Selling and Distribution Costs

The Group's selling and distribution costs decreased by approximately RMB3.9 million, or 21.0%, from approximately RMB18.6 million for the three months ended 31 March 2017 to approximately RMB14.7 million for the three months ended 31 March 2018. The decrease was mainly attributable to the decline in (i) staff cost and rental expenses in relation to in operating offline retail stores, (ii) sale commission and (iii) royalty payment.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses increased by approximately RMB0.9 million, or 18.3%, from approximately RMB5.1 million for the three months ended 31 March 2017 to approximately RMB6.0 million for the three months ended 31 March 2018, which was mainly attributable to the increases in professional and other costs in relation to the compliance with the GEM Listing Rules and other regulations applicable to the Group for maintaining the listing status.

Income Tax Expense

The Group's income tax expense decreased by approximately RMB0.5 million, or 44.3%, from approximately RMB1.1 million for the three months ended 31 March 2017 to approximately RMB0.6 million for the three months ended 31 March 2018. The decrease was primarily attributable to the decrease in profit before income tax.

Profit for the period

The profit for the period decreased by approximately RMB1.3 million, or 42.8%, from approximately RMB2.9 million for the three months ended 31 March 2017 to approximately RMB1.6 million for the three months ended 31 March 2018. The decrease was primarily attributable to the decline in revenue and higher administrative and other operating expenses as discussed above.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2018.

CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any significant contingent liabilities (corresponding period in 2017: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities throughout the period from 16 January 2018 (the "**Listing Date**").

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 the Listing Date to 31 March 2018, the Company has complied with the applicable code provisions of the CG Code.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

None of the Directors and controlling shareholders of the Company or any of their respective close associates as defined in the GEM Listing Rules has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or had any other conflict of interests with the Group throughout the period from the Listing Date to 31 March 2018.

DIRECTORS' SECURITIES TRANSACTIONS

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 for the three months ended 31 March 2018.

INTERESTS OF COMPLIANCE ADVISER

As notified by Kingsway Capital Limited ("**Kingsway**"), the Company's compliance adviser, except for the compliance adviser agreement dated 6 September 2016 entered into between the Company and Kingsway, neither Kingsway nor any of its directors or employees or close associates had any interest in the securities of the Company or any member of the Group as at the date of this announcement which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company had established the audit committee ("**Audit Committee**") on 15 December 2017 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and risk management and internal control systems of the Company, make recommendations to the Board on the appointment, reappointment and removal of the independent auditors, and review the Company's financial information.

The Audit Committee comprises three members, all being Independent Non-executive Directors, namely Mr. Won Chik Kee (chairman of the Audit Committee), Mr. Tong Raymond Kwok Kong, and Mr. Feng Dai. It has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing and financial reporting matters, including review of the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2018.

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

Hong Kong, 8 May 2018

As at the date of this announcement, the executive Directors are Mr. Yau Frederick Heng Chung (Chairman), Mr. Lee Tat Fai Brian and Mr. Yip Chun Wai; the non-executive Directors are Mr. Yau Sonny Tai Nin and Mr. Yau Tai Leung Sammy; and 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.