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)

THIRD QUARTER RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2018

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THIRD 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**" or "**our Group**") for the three months and nine months ended 30 September 2018 together with comparative figures for the corresponding periods in 2017 as follows:

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

For the three months and nine months ended 30 September 2018

		Three months ended 30 September		**Nine months ended 30 September**	
		2018	2017	**2018**	2017
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	*4*	**32,761**	43,471	**112,718**	150,956
Cost of sales		**(15,720)**	(19,965)	**(51,245)**	(68,092)
Gross profit		**17,041**	23,506	**61,473**	82,864
Other revenue and income		**1,548**	795	**4,085**	879
Government grants		**180**	—	**2,841**	—
Selling and distribution costs		**(14,254)**	(15,407)	**(46,489)**	(54,263)
Administrative and other operating expenses		**(6,486)**	(5,021)	**(19,201)**	(15,079)
Listing expenses		**—**	(2,606)	**(102)**	(6,940)
Finance costs		**(54)**	(180)	**(175)**	(595)
(Loss)/Profit before income tax	*7*	**(2,025)**	1,087	**2,432**	6,866
Income tax credit/(expense)	*6*	**1,065**	(722)	**(715)**	(2,952)
(Loss)/Profit for the period		**(960)**	365	**1,717**	3,914
Other comprehensive income/ (expense)					
Item that may be reclassified subsequently to the profit or loss:					
Exchange differences on translation of foreign operations		**692**	(590)	**2,567**	(266)
Total comprehensive (expense)/ income for the period attributable to equity holders of the Company		**(268)**	(225)	**4,284**	3,648
		RMB cents	*RMB cents*	***RMB cents***	*RMB cents*
(Loss)/Earnings per share for (loss)/ profit attributable to equity holders of the Company					
Basic and diluted	*9*	**(0.17)**	0.09	**0.31**	0.93

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2018

	Attributable to equity holders of the Company				
	Share capital *RMB'000*	Capital 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	—	—	—	3,914	3,914
Other comprehensive expense:					
Exchange differences on translation of foreign operations	—	—	(266)	—	(266)
Total comprehensive (expense)/income for the period	—	—	(266)	3,914	3,648
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 30 September 2017 (Unaudited)	9	10,529	(1,984)	20,174	28,728

	Attributable to equity holders of the Company						
	Share capital	**Share premium**	**Capital reserve**	**Statutory reserve**	**Translation reserve**	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2018	9	—	10,520	220	(656)	19,879	29,972
Profit for the period	—	—	—	—	—	1,717	1,717
Other comprehensive income:							
Exchange differences on translation of foreign operations	—	—	—	—	2,567	—	2,567
Total comprehensive income for the period	—	—	—	—	2,567	1,717	4,284
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 30 September 2018 (Unaudited)	4,470	35,026	10,520	220	1,911	21,596	73,743

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. 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 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 and nine months ended 30 September 2017 have been prepared using the merger basis of accounting as if the current group structure has been in existence throughout the three months and nine months ended 30 September 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 and nine months ended 30 September 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, except for the accounting policies as disclosed below:

(i) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the financial instruments. Financial assets and financial liabilities are initially measured at fair value. A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus or minus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(a) *Classification and measurement*

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss (except for debt instruments that are designated as at FVTPL on initial recognition):

— the financial asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTOCI if both of the following conditions are met:

— the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial asset; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets that are other than those categorised as amortised cost and FVTOCI above, are categorised as measured at FVTPL.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, where appropriate, a shorter period, to the net carrying amount at initial recognition.

Interest income is recognised using effective interest method for debt instruments measured subsequently at amortised cost. Interest income is recognised in the profit or loss.

Financial assets measured at FVTOCI

On the date of initial application of HKFRS 9, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held-for-trading. A financial asset is held-for-trading if it has been acquired principally for the purpose of selling it in the near term or it is a derivative that is not designated and effective as a hedging instrument.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the financial assets measured at FVTOCI reserve.

Dividend income is recognised in the profit or loss.

The Group has designated all investments in equity instruments (listed or unlisted) that are not held-for-trading as at FVTOCI since the application of HKFRS 9.

(b) *Impairment of financial assets*

The Group recognises loss allowances for expected credit loss ("**ECLs**") on financial assets measured at amortised cost. An impairment gain or loss, the amount of ECLs (or reversal) that is required to adjust the loss allowance at reporting date is recognised in the profit or loss.

The Group measures loss allowances at an amount equal to lifetime ECLs. For trade receivables, the Group applies the simplified approach to providing for ECLs prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses over the expected life of the financial assets. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward-looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data of the following events:

— significant financial difficulty of the borrower or issuer;

— a breach of contract such as a default or past due event;

— the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

— it is becoming probable that the borrower will enter bankruptcy or other financial re-organisation, or the disappearance of an active market for a security because of financial difficulties.

(c) *Derecognition of financial assets*

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets to another entity.

On derecognition of a financial asset, except for a financial asset that is classified as FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the profit or loss.

On derecognition of a financial asset that is classified as at FVTOCI, the cumulative gain or loss previously accumulated in the financial assets measured at FVTOCI reserve is not reclassified to the profit or loss, but is transferred to retained profits.

Financial liabilities and equity instruments

(a) *Classification and measurement*

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or equity instruments according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are classified into financial liabilities subsequently measured at amortised cost. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Financial liabilities subsequently measured at amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised using effective interest method for financial liabilities.

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

(b) *Derecognition of financial liabilities*

Financial liabilities are derecognised when the Group's obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit or loss.

(ii) Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

— the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

— the Group's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

— the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Sales of goods — retailers

Revenue is recognised when (or as) the Group transfers control of the assets to the retailers, control transfers at the point in time when the goods are delivered and accepted by the retailers. Acceptance refers to either of the situations that the retailers accepted the goods in accordance with the sales contracts; the acceptance provisions have lapsed; or the Group has objective evidence that all criteria for acceptance have been satisfied and there is no unfulfilled obligation that could affect the retailers' acceptance of the goods.

Retailers are offered with right of return (including exchange) within the limit as agreed in the sales contracts. Revenue is adjusted for expected returns (including exchanges) based on historical pattern.

Sales of goods — retail

The Group sells its goods to end customers via a chain of self-operated retail points of the Group or over third-party online retail platforms. Revenue is recognised when (or as) the Group transfers control of the assets to end customers, control transfers at the point in time when the Group can reasonably estimate the acceptance by end customers. For offline retail sales, acceptance by end customers is estimated based on historical experience on product returns. For online retail sales, acceptance can normally be estimated when online payment transaction is completed through third-party payment platforms. Revenue is adjusted for the value of expected returns.

The Group offers a variety of membership-based customer loyalty programs (the "**Programs**") to provide incentive to customers to buy their products. Under the Programs, customers who joined the membership are able to accumulate reward points through purchases of goods or promotion activities and could redeem these reward points for free products or vouchers entitling discount immediately or on a subsequent purchase. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received or receivable between the reward points and the other components of the sale such that the reward points are initially recognised as deferred revenue at their fair values. Revenue from the reward points is recognised when the points are redeemed or expired.

Service income

Service income is recognised when the relevant service is rendered.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

As at the date of authorisation of the unaudited condensed consolidated financial statements, 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 adopted early 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 asset classified as FVTOCI 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 accounting estimates and assumptions 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, except for the estimation uncertainty as disclosed below:

(i) Impairment of receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected credit loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as other quantitative and qualitative information and forward-looking estimates at each reporting date.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables and doubtful debt expenses in the periods in which such estimate has been changed.

The unaudited condensed consolidated financial statements have not been audited by the Company's auditors, but has 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 30 September		**Nine months ended 30 September**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Online retail sales	**18,280**	27,533	**69,802**	97,160
Offline retail sales	**978**	2,329	**4,203**	12,609
Wholesale to offline retailers	**7,148**	9,783	**18,970**	25,600
Wholesale to online retailers	**6,355**	3,826	**19,743**	15,587
	32,761	43,471	**112,718**	150,956

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 interest in an associate ("**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 operation, in the case of interest in an associate.

	Three months ended 30 September		**Nine months ended 30 September**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue from external customers				
The People's Republic of China (the "**PRC**") (excluding Hong Kong)	**32,761**	43,467	**112,717**	150,948
Hong Kong	**—**	4	**1**	8
	32,761	43,471	**112,718**	150,956

	As at 30 September 2018	As at 31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Specified non-current assets		
The PRC (excluding Hong Kong)	**4,678**	3,879
Hong Kong	**309**	327
	4,987	4,206

Information about major customers

During the three months and nine months ended 30 September 2018 and 2017, none of the Group's customers contributed more than 10% of the Group's revenue.

6. INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the three months and the nine months ended 30 September 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 and nine months ended 30 September 2018 and 2017 arising from the PRC.

	Three months ended 30 September		**Nine months ended 30 September**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax				
Hong Kong Profits Tax				
— Current period	**—**	—	**—**	463
The PRC EIT				
— Current period	**—**	722	**715**	2,890
— Over-provision in respect of prior periods	**(1,065)**	—	**—**	—
	(1,065)	722	**715**	3,353
Deferred tax				
— Credited to the profit or loss	**—**	—	**—**	(401)
Income tax (credit)/expense	**(1,065)**	722	**715**	2,952

7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Three months ended 30 September		**Nine months ended 30 September**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Auditor's remuneration	**27**	—	**27**	20
Cost of inventories recognised as an expense	**15,657**	19,745	**50,620**	66,477
Write-down of inventories to net realisable value	**—**	—	**—**	93
Amortisation of intangible assets	**55**	22	**138**	58
Depreciation of property, plant and equipment	**158**	162	**625**	526
Staff costs (including directors' emoluments)				
— Salaries, allowances and other benefits	**3,533**	3,488	**10,885**	10,870
— Contributions to retirement benefit schemes	**445**	212	**1,376**	2,048
Operating lease charges on premises				
— Minimum lease payments	**813**	1,119	**2,804**	3,923
— Contingent lease payments *(note)*	**433**	409	**1,528**	1,690
Exchange loss/(gain), net	**813**	(358)	**1,387**	(905)

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 nine months ended 30 September 2018 and 2017.

9. (LOSS)/EARNINGS PER SHARE

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

	Three months ended 30 September		**Nine months ended 30 September**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
(Loss)/Earnings				
(Loss)/Profit for the period attributable to equity holders of the Company	**(960)**	365	**1,717**	3,914
Number of shares				
Weighted average number of ordinary shares (in thousands)	**560,000**	420,000	**552,821**	420,000

The weighted average number of ordinary shares for the three months and nine months ended 30 September 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 and nine months ended 30 September 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 nine months ended 30 September 2018, the Group recorded a revenue of RMB112.7 million which represents the decrease by 25.4% 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 28.2% and offline retail sales by 66.7% during the first nine months of 2018. The revenue drop among the first quarter, second quarter and third quarter were approximately 26.3%, 24.9%, and 24.6%.

Since the fourth quarter of 2017, B2C e-commerce platform operators in China have shifted their focus to luxury and big ticket items. The online free traffic has been reduced. The Group has been allocating increasing resources in marketing to cope with the change. Having said that, the management is cautious in selecting the right channels and events to maximise the sale return on the spending. Concerted marketing effort is placed in the fourth quarter to aim at the high sale season and events, such as Double 11. Also, online consumers in general have a trend to upgrade their purchase with more emphasis on style, functionality and individual characteristic. To ride on the changes, the Group has increased the effort in the design of handbags to the market trend and further enhance product quality in the third quarter.

The revenue in offline retail sales dropped as anticipated. The Group has executed the business plan to streamline directly operated offline retail points and thus contain operating expenses. Our reduced retail points are largely transferred to third party retailers. Significant cost saving have been realised. The business risk is reduced accordingly. Despite decline in the revenue, the impact on bottom line is low. The Group maintains one flagship store for each of ELLE and Jessie & Jane brands. These stores serve as display and allow consumers to gain product experience for marketing purpose.

Wholesale to offline retailers has performed below our expectation in the first nine months of 2018 with 25.9% decline compared to the same period of last year. Third party retailers have been restrained to add store numbers after witnessing sluggish offline sales. Besides increased spending on social media to gain brand exposure, the Group has standby our offer to provide incentive to offline retailers for new store opening when they consider the right timing. The retailers are regarded to be more responsive to local consumers' needs and taste. They have the advantage to select the appropriate store location, negotiate for the best terms, and operate offline stores at reasonable costs.

Being the marketing plan to diversify into other B2C e-commerce platforms, the Group has been developing new partnerships to reduce reliance on the No.1 B2C e-commerce platform. In addition, expanding our collaboration with other existing major online platforms in China is being executed. All these aim to increase our sales and acquire new customers. More merchandise for display and purchase have been added at these platforms. The revenue in wholesale to online retailers in first nine months of 2018 has grown by 26.7% compared to corresponding period in 2017. We expect more revenue would be contributed by this channel.

In terms of revenue among the brands of ELLE and Jessie & Jane, the distribution is approximately 66.1% and 33.9% in the first nine months of 2018, compared to 61.9% and 38.1% in the same period of 2017.

Besides the design and distribution of lady handbags, the Group has offered marketing services in online market to other retailers by utilising our knowledge, experience and business relation. After pushing additional effort to work with the retailers, other income has gradually built up. It achieved RMB3.9 million for the period.

We believe that the Group's ability to sustain sale growth. 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 nine months ended 30 September 2018, the growth of VIP numbers in ELLE T-mall and Jessie & Jane T-mall remain steady. Their purchase in terms of total sales have been higher compared to last year. After listing on 16 January 2018, the Group has allocated higher portion of financial resources 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

Given the slower than expected sales in the first half of 2018, the Group has taken a number of marketing initiative to target on our clients and business events. The recent US-China trade war however dampens the consumer sentiment in China since July and raise uncertainty to the consumer market. The Group has witnessed weakening sales in third quarter.

To prepare for the change, the Group has positioned ourselves with lower stock and debt to equity levels. The Group is ready to respond to the fast changing consumer market.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB38.3 million, or 25.4%, from approximately RMB151.0 million for the nine months ended 30 September 2017 to approximately RM112.7 million for the nine months ended 30 September 2018. For the third quarter, the Group's revenue decreased by approximately RMB10.6 million, or 24.4%, from approximately RMB43.4 million for the three months ended 30 September 2017 to approximately RMB32.8 million for the same period in 2018. The drop in revenue was caused by declined revenue on the sale channels of online retail sales, offline retail sales, and wholesale to offline retailers.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately RMB21.4 million, or 25.8%, from approximately RMB82.9 million for the nine months ended 30 September 2017 to approximately RMB61.5 million for the nine months ended 30 September 2018. The drop was largely attributable to the 25.4% declined sales in the nine months ended 30 September 2018.

Our gross profit margin for the nine months ended 30 September 2018 and 2017 were approximately 54.6% and 54.9% respectively, which has been maintained at a stable level.

Selling and Distribution Costs

The Group's selling and distribution costs decreased by approximately RMB7.8 million, or 14.4%, from approximately RMB54.3 million for the nine months ended 30 September 2017 to approximately RMB46.5 million for the nine months ended 30 September 2018. The decrease was mainly attributable to the decline in (i) sale commission, (ii) operating costs for offline retail stores, (iii) royalty payment. Due to variable cost nature of a large portion of selling and distribution expenses, the costs were able to reduce.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by approximately RMB2.7 million, or 12.3%, from approximately RMB22.0 million for the nine months ended 30 September 2017 to approximately RMB19.3 million for the nine months ended 30 September 2018, which was mainly attributable to the decreases in listing fee. The listing fee reduced by RMB6.8 million in the first nine months of 2018 compared to same corresponding period in 2017. On the other hand, the Group's experienced higher operating costs after listing and increase in exchange loss. Additional professional fee and other costs in relation to the compliance with the GEM Listing Rules and other regulations for maintaining the listing status. Also, unrealised exchange loss was recorded owing to recent RMB depreciation.

Income Tax Expense

The Group's income tax expense decreased by approximately RMB2.3 million, or 76.7%, from approximately RMB3.0 million for the nine months ended 30 September 2017 to approximately RMB0.7 million for the nine months ended 30 September 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 RMB2.2 million, or 56.4%, from approximately RMB3.9 million for the nine months ended 30 September 2017 to approximately RMB1.7 million for the nine months ended 30 September 2018. The decrease was primarily attributable to the decline in revenue as discussed above.

CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any significant contingent liabilities.

SIGNIFICANT INVESTMENTS

As at 30 September 2018, the Group did not hold any significant investments.

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 30 September 2018, the Group did not have any assets pledged to secure general banking facilities.

FOREIGN CURRENCY EXPOSURE

The Group's businesses are solely operated in China. The sales and purchases are mainly denominated in 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 and the cash arising from initial public offer, 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 risk. 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.

HUMAN RESOURCES

As at 30 September 2018, the Group had 88 employees (30 September 2017: 96) in Hong Kong and the PRC. We believe that hiring, motivating and retaining qualified employees are crucial to our success as an online and offline distributor. Total staff costs (including Directors' emoluments) were RMB12.3 million for the nine months ended 30 September 2018 (nine months ended 30 September 2017: RMB12.9 million). The remuneration policies of the Group 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.

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

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

As at the date of this announcement, the Group has applied RMB10.7 million proceeds in the designated areas. The Group continued to spend marketing expenditure in social media in the first nine months of 2018 to expose our brands and products in the consumer market. Investment in design and new product category, as well as offline store opening and refurbishment, have been proceeded cautiously to match with market development. 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.

The use of IPO proceeds for the nine months ended 30 September 2018 are shown as below:

		Net proceeds *RMB'000*	Utilised amount from the Listing Date up to 30 September 2018 *RMB'000*	Unutilised amount as at 30 September 2018 *RMB'000*
1)	Marketing investment in social media events	**13,610**	**7,433**	**6,177**
2)	Design and new product category	**4,185**	**517**	**3,668**
3)	Physical shop opening and refurbishment	**6,250**	**1,710**	**4,540**
4)	IT system purchase and upgrade	**6,862**	**1,050**	**5,812**
Total Use of Net Proceeds		**30,907**	**10,710**	**20,197**

EVENTS AFTER THE BALANCE SHEET DATE

For the period from 30 September 2018 to the date of this announcement, save as disclosed in this announcement, the Board is not aware of any significant events requiring disclosure that have occurred.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2018 (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 30 September 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 30 September 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 nine months ended 30 September 2018 and up to the date of the announcement.

INTERESTS OF COMPLIANCE ADVISER

As notified by Kingsway Capital Limited ("**Kingsway**"), the Company's compliance adviser, except for the compliance adviser agreement dated 21 December 2017 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 at as 30 September 2018.

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 nine months ended 30 September 2018.

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

Hong Kong, 9 November 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 Stock Exchange's website at www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting and on the website of the Company at www.sling-inc.com.hk.