# 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 2018

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK 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 Stock 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.***

## HIGHLIGHTS OF ANNUAL RESULTS

- The total revenue of the Group for the year ended 31 December 2018 ("Fiscal Year 2018") amounted to RMB141.1 million, a decrease of 32.5% or RMB67.9 million as compared to RMB209.0 million for the year ended 31 December 2017 ("Fiscal Year 2017").

- The Group for the Fiscal Year 2018 incurred loss of RMB5.3 million, compared to RMB3.8 million profit for the Fiscal Year 2017.

- Total sales related to online businesses, both online retail sales and wholesale to online retailers, reached RMB113.3 million, representing 29.8% drop compared to the Fiscal Year 2017. Among online businesses, online retail sales amounted to RMB88.9 million, representing 37.4% reduction compared to the Fiscal Year 2017.

- Total sales related to offline businesses amounted to RMB27.9 million as the Group transferred offline retail sale points to third party retailers and focus on online marketing and distribution for cost saving reasons. Offline retail sales lowered to RMB5.4 million and wholesale to offline retailers reduced to RMB22.5 million.

- The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2018.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*For the year ended 31 December 2018*

| | Note | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **Revenue** | 3 | **141,081** | 208,983 |
| Cost of sales | | **(64,315)** | (91,063) |
| **Gross profit** | | **76,766** | 117,920 |
| Other revenue and income | 4 | **6,607** | 2,888 |
| Government grants | | **3,086** | — |
| Selling and distribution costs | | **(64,162)** | (75,699) |
| Administrative and other operating expenses | | **(27,470)** | (22,548) |
| Listing expenses | | **(106)** | (13,169) |
| Finance costs | 5 | **(227)** | (755) |
| **(Loss)/Profit before income tax** | 6 | **(5,506)** | 8,637 |
| Income tax credit/(expense) | 7 | **245** | (4,798) |
| **(Loss)/Profit for the year** | | **(5,261)** | 3,839 |
| **Other comprehensive income** | | | |
| **Item that may be reclassified subsequently to the profit or loss:** | | | |
| Exchange differences on translation of foreign operations | | **2,850** | 1,062 |
| **Total comprehensive (expense)/income for the year attributable to equity holders of the Company** | | **(2,411)** | 4,901 |
| | | ***RMB cents*** | *RMB cents* |
| **(Loss)/Earnings per share for (loss)/profit attributable to equity holders of the Company** | | | |
| Basic and diluted | 9 | **(0.95)** | 0.91 |

*Note:* The Group has initially applied HKFRS 9 and HKFRS 15 as at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2018*

| | Note | 2018 RMB'000 | 2017 RMB'000 |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,236** | 1,483 |
| Intangible assets | | **3,322** | 2,723 |
| Financial asset at fair value through profit or loss ("FVTPL") | | **320** | — |
| Available-for-sale financial asset | | **—** | 199 |
| Deferred tax assets | *15* | **3,144** | 863 |
| | | **9,022** | 5,268 |
| **Current assets** | | | |
| Inventories | | **38,888** | 45,023 |
| Trade and other receivables | *10* | **25,182** | 35,746 |
| Amounts due from Controlling Shareholders | | **9** | 9 |
| Income tax recoverable | | **51** | 218 |
| Restricted cash | *11* | **242** | 188 |
| Cash and bank balances | *11* | **17,746** | 18,958 |
| | | **82,118** | 100,142 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **17,463** | 45,219 |
| Contract liabilities | *13* | **802** | — |
| Bank borrowings | *14* | **6,147** | 26,395 |
| Amount due to the then immediate holding company | | **10** | 8 |
| Income tax payable | | **733** | 3,816 |
| | | **25,155** | 75,438 |
| **Net current assets** | | **56,963** | 24,704 |
| **Net assets** | | **65,985** | 29,972 |
| **EQUITY** | | | |
| Share capital | *16* | **4,470** | 9 |
| Reserves | *17* | **61,515** | 29,963 |
| **Total equity attributable to equity holders of the Company** | | **65,985** | 29,972 |

*Note:* The Group has initially applied HKFRS 9 and HKFRS 15 as at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2018*

## 1. 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 accounting 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 2.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial asset which is stated at fair value.

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.

## 2. ADOPTION OF NEW AND AMENDED HKFRSs

### 2.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2018

In the current year, the Group has applied for the first time the following new and 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 2018:

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and the related Amendments |
| Amendments to HKFRS 1 | As part of the Annual Improvements to HKFRSs 2014–2016 Cycle |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014–2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |
| HK (IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration |

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

***HKFRS 9 "Financial Instruments"***

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "ECL model" for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied the standard retrospectively to items that existed as at 1 January 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in the retained profits.

The adoption of HKFRS 9 has impacted the following areas of the Group:

— HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the "incurred loss" accounting model in HKAS 39.

— for "available-for-sale financial asset" under HKAS 39 has been reclassified as "financial asset at FVTPL" under HKFRS 9.

The Group applies the new ECL model to the following items:

— financial assets measured at amortised cost (including restricted cash, cash and bank balances, trade and other receivables and amounts due from related parties); and

— contract assets as defined in HKFRS 15.

For contract assets arising from HKFRS 15 and trade receivables, the Group applies a simplified model of recognising lifetime ECL as these items do not have a significant financing component. For other financial assets, the Group applies a general approach of recognising ECL.

Upon the adoption of HKFRS 9, the Group recognised additional ECL on the Group's trade receivables and other receivables of RMB1,153,000 and RMB265,000 respectively, which resulted in a decrease in the retained profits, net of tax, of RMB1,063,000 as at 1 January 2018.

The reclassifications and remeasurements made to balances recognised in the consolidated statement of financial position as at the date of initial application (1 January 2018) are summarised as follows:

| | Measurement category | | | | | |
|---|---|---|---|---|---|---|
| | **Original HKAS 39 category** | **New HKFRS 9 category** | **As at 31 December 2017 (HKAS 39)** | **Adoption of HKFRS 9** | | **As at 1 January 2018 (HKFRS 9)** |
| | | | | **Reclassification** | **Remeasurement** | |
| | | | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Non-current financial assets** | | | | | | |
| Investment in a life insurance policy | Available-for-sale | FVTPL | 199 | — | — | **199** |
| **Current financial assets** | | | | | | |
| Trade and other receivables | Amortised cost | Amortised cost | 35,746 | — | (1,418) | **34,328** |
| Amounts due from Controlling Shareholders | Amortised cost | Amortised cost | 9 | — | — | **9** |
| Restricted cash | Amortised cost | Amortised cost | 188 | — | — | **188** |
| Cash and bank balances | Amortised cost | Amortised cost | 18,958 | — | — | **18,958** |
| | | | 54,901 | — | (1,418) | **53,483** |
| **Total financial asset balances** | | | 55,100 | — | (1,418) | **53,682** |

There have been no changes to the classification or measurement of financial liabilities as a result of the application of HKFRS 9.

The total impact on the Group's retained profits, net of tax, as at 1 January 2018 is as follows:

| | *RMB'000* |
|---|---|
| Retained profits as at 31 December 2017 | 19,879 |
| Recognition of ECL under HKFRS 9, net of tax | (1,063) |
| **Retained profits as at 1 January 2018** | **18,816** |

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out in note 2.1.

***ECL***

The following table reconciles the provision of impairment determined in accordance with HKAS 39 as at 31 December 2017 with the opening ECL determined in accordance with HKFRS 9 as at 1 January 2018.

| | *RMB'000* |
|---|---|
| Provision of impairment as at 31 December 2017 under HKAS 39 | 120 |
| Additional ECL recognised as at 1 January 2018 on: | |
| — Trade receivables | 1,153 |
| — Other receivables | 265 |
| **ECL as at 1 January 2018 under HKFRS 9** | **1,538** |

***HKFRS 15 "Revenue from Contracts with Customers"***

HKFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to HKFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "HKFRS 15") replace HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations.

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18.

In accordance with the transition guidance under HKFRS 15, the Group has only been applied to contracts that are incomplete as at 1 January 2018.

Summary of nature and effect of the changes on previous accounting policies are set out below:

(i) *Timing of revenue recognition*

Previously, revenue arising from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

(a) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

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

(c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the Group recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

(ii) *Significant financing component*

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

The adoption of HKFRS 15 does not have a significant impact on adjusting the transaction price containing significant financing component on the consolidated financial statements as at date of initial application.

(iii) *Presentation of contract assets and liabilities*

Previously, contract balances relating to receipts in advance from customers were presented in the consolidated statement of financial position under "trade and other payables".

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue.

As at the date of initial application of HKFRS 15, receipts in advance from customers of RMB1,674,000 in respect of the contracts with retailers previously included in "trade and other payables" were reclassified to "contract liabilities".

(iv) *Presentation of assets and liabilities in relation to sale with a right of return*

Right to recover returned products and refund liability for the products expected to be returned are required to be presented separately as "right to recover returned products" included in "inventories" and "refund liabilities" included in "trade and other payables" respectively in the consolidated statement of financial position upon adoption of HKFRS 15.

The adoption of HKFRS 15 does not have a significant impact on the consolidated financial statements as at date of initial application as the financial effect is immaterial after quantification.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity as at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

No significant impact of transition to HKFRS 15 on the retained profits and the related tax impact as at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position as at 1 January 2018. Line items that were not affected by the changes have not been included.

| | Carrying amounts under HKASs 11 and 18 as at 31 December 2017 | Reclassification | Remeasurement | Carrying amounts under HKFRS 15 as at 1 January 2018 |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Current liabilities** | | | | |
| Trade and other payables | 45,219 | (1,674) | — | **43,545** |
| Contract liabilities | — | 1,674 | — | **1,674** |

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

| | Amounts reported in accordance with HKFRS 15 (A) | Hypothetical amounts under HKASs 18 and 11 (B) | Difference: estimated impact of adoption of HKFRS 15 on 2018 (A)–(B) |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of HKFRS 15:** | | | |
| Trade and other payables | 17,463 | 18,265 | (802) |
| Contract liabilities | 802 | — | 802 |
| **Line items in the consolidated statement of cash flows for the year ended 31 December 2018 impacted by the adoption of HKFRS 15:** | | | |
| Decrease in trade and other payables | (28,171) | (27,369) | (802) |
| Increase in contract liabilities | 802 | — | 802 |

## 2.2 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.

| | |
|---|---|
| HKFRS 16 | Leases[1] |
| HKFRS 17 | Insurance Contracts[3] |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement[1] |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures[1] |
| Amendments to HKFRS 3 | Definition of a Business[4] |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015–2017 Cycle[1] |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments[1] |

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combination and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 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 is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

***HKFRS 16 "Leases"***

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations.

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 January 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity as at 1 January 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. As at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to RMB6,963,000 for premises, which is payable between 1 to 5 years after the reporting date.

Upon the initial application of HKFRS 16, the Group plans to measure the rights-of-use assets as if HKFRS 16 had always been applied by using the incremental borrowing rate as at initial application date and the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to RMB4,147,000 and RMB4,094,000 respectively, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

## 3. REVENUE AND SEGMENT REPORTING

### 3.1 Revenue

Revenue represents the fair value of consideration received and receivable from the sale of women's handbags, small leather goods, luggage and travel goods by the Group to external customers.

*Disaggregation of revenue from contracts with customers*

The Group derives revenue from the transfer of goods at a point in time through different channels were analysed as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Online retail sales | **88,846** | 141,913 |
| Offline retail sales | **5,388** | 14,421 |
| Wholesale to offline retailers | **22,454** | 33,145 |
| Wholesale to online retailers | **24,393** | 19,504 |
| | **141,081** | 208,983 |

**3.2 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 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 and intangible assets ("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, and the location of the operations to which they are allocated, in the case of intangible assets.

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Revenue from external customers** | | |
| The PRC (excluding Hong Kong) | **141,080** | 208,975 |
| Hong Kong | **1** | 8 |
| | **141,081** | 208,983 |
| **Specified non-current assets** | | |
| The PRC (excluding Hong Kong) | **5,271** | 3,879 |
| Hong Kong | **287** | 327 |
| | **5,558** | 4,206 |

***Information about major customers***

During the year ended 31 December 2018, none of the Group's customers contributed more than 10% of the Group's revenue (2017: Nil).

## 4. OTHER REVENUE AND INCOME

| | 2018 | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Other revenue** | | |
| Service income | **5,943** | 1,599 |
| Bank interest income | **188** | 138 |
| Dividend and interest income from financial asset at FVTPL | **4** | — |
| Dividend and interest income from available-for-sale financial asset | **—** | 2 |
| | **6,135** | 1,739 |
| **Other income** | | |
| Reversal of write-down of inventories to net realisable value | **169** | — |
| Fair value gains on financial asset at FVTPL | **102** | — |
| Exchange gain, net | **—** | 1,103 |
| Sundry income | **201** | 46 |
| | **472** | 1,149 |
| | **6,607** | 2,888 |

## 5. FINANCE COSTS

| | 2018 | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest charges on: | | |
| — Bank borrowings | **227** | 755 |

## 6. (LOSS)/PROFIT BEFORE INCOME TAX

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

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Auditor's remuneration | **647** | 593 |
| Cost of inventories recognised as an expense | **63,561** | 88,983 |
| Write-down of inventories to net realisable value | **—** | 706 |
| Reversal of write-down of inventories to net realisable value | **(169)** | — |
| Fair value gains on financial asset at FVTPL | **(102)** | — |
| Credit losses of financial assets at amortised cost, net | **203** | — |
| Amortisation of intangible assets | **197** | 88 |
| Depreciation of property, plant and equipment | **895** | 711 |
| Losses on written-off of property, plant and equipment | **31** | 11 |
| Staff costs (including directors' emoluments) | | |
| — Salaries, allowances and other benefits | **14,742** | 14,658 |
| — Contributions to retirement benefit schemes | **2,897** | 3,150 |
| Operating lease charges on premises | | |
| — Minimum lease payments | **4,285** | 5,208 |
| — Contingent lease payments *(note)* | **236** | 1,619 |
| Exchange losses/(gain), net | **1,550** | (1,103) |

*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.

## 7. INCOME TAX (CREDIT)/EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 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% (2017: 25%) on the estimated assessable profit for the year arising from the PRC.

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Current tax** | | |
| Hong Kong Profits Tax | | |
| — Current year | **—** | 573 |
| — Over-provision in respect of prior years | **(43)** | (235) |
| The PRC EIT | | |
| — Current year | **1,384** | 3,698 |
| — Under-provision in respect of prior years | **340** | 124 |
| | **1,681** | 4,160 |
| **Deferred tax** | | |
| — (Credited)/Charged to the profit or loss *(note 15)* | **(1,926)** | 638 |
| Income tax (credit)/expense | **(245)** | 4,798 |

Reconciliation between income tax (credit)/expense and accounting (loss)/profit at applicable tax rates:

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| (Loss)/Profit before income tax | **(5,506)** | 8,637 |
| Tax on (loss)/profit before income tax, calculated at the rates applicable to (losses)/profits in the tax jurisdiction concerned | **(883)** | 2,867 |
| Tax effect on: | | |
| — Non-deductible expenses | **415** | 2,122 |
| — Non-taxable income | **(90)** | (90) |
| — Tax losses not recognised | **8** | — |
| — Recognition of deductible temporary differences previously not recognised | **8** | 10 |
| — Under/(Over) provision in respect of prior years | **297** | (111) |
| Income tax (credit)/expense | **(245)** | 4,798 |

## 8. DIVIDENDS

No dividend was declared or paid by the Group during the year ended 31 December 2018 to its equity holders (2017: Nil).

## 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:

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **(Loss)/Earnings** | | |
| (Loss)/Profit for the year attributable to equity holders of the Company | **(5,261)** | 3,839 |
| **Number of shares** | | |
| Weighted average number of ordinary shares (in thousands) | **554,630** | 420,000 |

The weighted average number of ordinary shares used to calculate the basic loss per share for the year ended 31 December 2018 includes (i) 1,000,000 ordinary shares in issue throughout the year; (ii) the 419,000,000 new ordinary shares issued pursuant to the Capitalisation Issue (note 16d), as if all these shares had been in issue throughout the year ended 31 December 2018; and (iii) 134,630,000 shares, representing the weighted average number of 140,000,000 new ordinary shares issued pursuant to the Share Offer (note 16c).

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2017 representing the number of ordinary shares of the Company immediately after the Capitalisation Issue (note 16d), as if all these shares had been in issue throughout the year ended 31 December 2017.

There were no dilutive potential ordinary shares during both years and therefore, diluted (loss)/earnings per share equals to basic (loss)/earnings per share.

## 10. TRADE AND OTHER RECEIVABLES

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Trade receivables** | **17,009** | 20,676 |
| Less: ECL/Loss allowance | **(1,384)** | — |
| | **15,625** | 20,676 |
| **Prepayments and other receivables** | | |
| Prepaid expenses | | |
| — to a related company controlled by three of the Controlling Shareholders | **—** | 562 |
| — to third parties | **6,720** | 5,929 |
| | **6,720** | 6,491 |
| Prepaid listing expenses | **—** | 4,879 |
| Rental and other deposits | **2,235** | 2,006 |
| Other receivables | **839** | 1,814 |
| Less: ECL/Loss allowance | **(237)** | (120) |
| | **9,557** | 15,070 |
| | **25,182** | 35,746 |

The ageing analysis of trade receivables at the end of the reporting date, based on the revenue recognition dates and net of ECL allowance (2017: net of loss allowance), is as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0–90 days | **8,447** | 13,321 |
| 91–180 days | **4,166** | 5,820 |
| 181–365 days | **2,061** | 966 |
| Over 365 days | **951** | 569 |
| | **15,625** | 20,676 |

The movement in the ECL allowance (2017: loss allowance) of trade receivables is as follows:

| | 2018 | 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| As at 1 January calculated under HKAS 39 | **—** | 1,030 |
| Amounts restated through opening retained profits | **1,153** | — |
| Adjusted as at 1 January calculated under HKFRS 9 | **1,153** | 1,030 |
| Amount written-off during the year | **—** | (1,030) |
| ECL/Loss allowance recognised during the year | **305** | — |
| ECL/Loss allowance reversed during the year | **(74)** | — |
| As at 31 December | **1,384** | — |

The movement in the ECL allowance (2017: loss allowance) of other receivables is as follows:

| | 2018 | 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| As at 1 January calculated under HKAS 39 | **120** | 120 |
| Amounts restated through opening retained profits | **265** | — |
| Adjusted as at 1 January calculated under HKFRS 9 | **385** | 120 |
| Amount written-off during the year | **(120)** | — |
| ECL/Loss allowance recognised during the year | **227** | — |
| ECL/Loss allowance reversed during the year | **(255)** | — |
| As at 31 December | **237** | 120 |

## 11. CASH AND CASH EQUIVALENTS

| | 2018 | 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Cash and bank balances | **11,468** | 18,958 |
| Short-term bank deposits | **6,278** | — |
| | **17,746** | 18,958 |
| Restricted cash | **242** | 188 |
| Cash and cash equivalents presented in the consolidated statement of financial position | **17,988** | 19,146 |
| Less: restricted cash | **(242)** | (188) |
| Cash and cash equivalents presented in the consolidated statement of cash flows | **17,746** | 18,958 |

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

The short-term bank deposits earn 1.8% to 2.5% (2017: Nil) interest per annum. They have a maturity of 15 to 31 days (2017: Nil) and are eligible for immediate cancellation without receiving any interest for the last deposit period.

Included in restricted cash and cash and bank balances of the Group of approximately RMB10,301,000 (2017: RMB17,963,000) as at 31 December 2018 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.

## 12. TRADE AND OTHER PAYABLES

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Trade payables** | | |
| — to a related company controlled by three of the Controlling Shareholders | **43** | — |
| — to third parties | **7,312** | 22,680 |
| | **7,355** | 22,680 |
| **Accrued charges and other payables** | | |
| Accrued expenses | | |
| — to a related company significantly influenced by a director | **—** | 420 |
| — to third parties | **6,838** | 14,180 |
| | **6,838** | 14,600 |
| Deposits received | **1,754** | 1,909 |
| Other tax payables | **1,429** | 4,244 |
| Receipts in advance *(note)* | **—** | 1,674 |
| Other payables | **87** | 112 |
| | **10,108** | 22,539 |
| | **17,463** | 45,219 |

*Note:* As a result of the adoption of HKFRS 15, the advances received is included in contract liabilities and disclosed in note 13 (see note 2).

The Group was granted by its suppliers credit periods ranging from 0 to 90 days (2017: 0 to 90 days). Based on the date of goods received, the ageing analysis of trade payables as at 31 December 2018 is as follows:

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0–90 days | **7,053** | 21,629 |
| 91–180 days | **146** | 586 |
| 181–365 days | **—** | — |
| Over 365 days | **156** | 465 |
| | **7,355** | 22,680 |

## 13. CONTRACT LIABILITIES

| | **2018** | 2017 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contract liabilities arising from receiving deposits of trading orders | **802** | — |

*Note:* The Group has initially applied HKFRS 15 using the cumulative effect transition method and adjusted the opening balances as at 1 January 2018.

Upon the adoption of HKFRS 15, when the Group receives a deposit before the goods are delivered and accepted by the retailers, this will give rise to contract liabilities at the start of a contract until the revenue recognised on the contract exceeds the amount of the deposits. The Group typically receives ranging from 15% to 25% deposit on acceptance of the orders from certain retailers.

**Movements in contract liabilities:**

| | **2018** |
|---|---|
| | ***RMB'000*** |
| As at 1 January | **1,674** |
| Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year | **(1,674)** |
| Increase in contract liabilities as a result of receiving deposits of trading orders as at 31 December 2018 | **802** |
| As at 31 December | **802** |

## 14. BANK BORROWINGS

| | 2018 | 2017 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Bank loans, wholly repayable within one year or on demand | | |
| — Secured | — | 26,395 |
| — Unsecured | 6,147 | — |
| | 6,147 | 26,395 |

*Note:* As at 31 December 2018, unsecured bank borrowings of RMB6,147,000 (2017: secured bank borrowings of RMB26,395,000) are repayable within one year or on demand. The bank borrowings bear interest rate at 1.75% (2017: 1.75%) per annum over HIBOR.

As at 31 December 2017, the bank borrowings are guaranteed by the personal guarantees given by Mr. Sammy Yau, Mr. Sonny Yau and Mr. Brian Lee; and secured by the legal charges over certain properties owned by Unigrade International Limited ("Unigrade"), a related company controlled by Mr. Sammy Yau, Mr. Sonny Yau, Mr. Fred Yau and Mr. Nicholas Yau. The personal guarantees and legal charges were released and replaced by a corporate guarantee given by the Company upon listing.

As at 31 December 2018, the bank borrowings are guaranteed by a corporate guarantee given by the Company.

## 15. DEFERRED TAX

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

| | Provisions | Tax losses | Others | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| As at 1 January 2017 | 2,036 | — | (535) | 1,501 |
| Recognised in the profit or loss *(note 7)* | (1,173) | — | 535 | (638) |
| As at 31 December 2017 | 863 | — | — | 863 |
| Adjustment from the adoption of HKFRS 9 | 355 | — | — | 355 |
| **Adjusted as at 1 January 2018** | **1,218** | **—** | **—** | **1,218** |
| Recognised in the profit or loss *(note 7)* | **504** | **1,422** | **—** | **1,926** |
| **As at 31 December 2018** | **1,722** | **1,422** | **—** | **3,144** |

As at 31 December 2018, the aggregate amount of temporary differences associated with the undistributed profits of the Company's PRC subsidiaries amounted to approximately RMB30,761,000 (2017: RMB32,989,000). Deferred income tax liabilities have not been recognised amounting to approximately RMB1,538,000 (2017: RMB1,649,000) 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.

## 16. SHARE CAPITAL

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | ***Number of shares*** | ***RMB'000*** | *Number of shares* | *RMB'000* |
| **Authorised:** | | | | |
| Ordinary shares of HK$0.01 each upon incorporation *(note a)*/as at 1 January 2018 | **1,110,000,000** | **9,243** | 1,000,000 | 9 |
| Increase in authorised share capital *(note b)* | **—** | **—** | 1,109,000,000 | 9,234 |
| **As at 31 December** | **1,110,000,000** | **9,243** | 1,110,000,000 | 9,243 |
| **Issued and fully paid:** | | | | |
| Ordinary share of HK$0.01 upon incorporation *(note a)*/as at 1 January 2018 | **1,000,000** | **9** | 1 | — |
| Issuance of ordinary shares *(note a)* | **—** | **—** | 999,999 | 9 |
| Issuance of ordinary shares pursuant to the Share Offer *(note c)* | **140,000,000** | **1,117** | — | — |
| Issuance of ordinary shares pursuant to the Capitalisation Issue *(note d)* | **419,000,000** | **3,344** | — | — |
| **As at 31 December** | **560,000,000** | **4,470** | 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) 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 RMB1,117,000) 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 RMB46,935,000), 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.

(d) 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 RMB3,344,000) standing to the credit of the share premium account of the Company (the "Capitalisation Issue"). The Capitalisation Issue was completed on 16 January 2018. The shares allotted and issued rank pari passu in all respects with the then existing issued shares.

## 17. RESERVES

The amounts of the Group's reserves and the movements during the year ended 31 December 2018 are presented in the consolidated statement of changes in equity of the consolidated financial statements.

### Share premium

The share premium represents the difference between the par value of the shares of the Company and net proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

### Capital reserve

Capital reserve represents the difference between the nominal values 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.

### 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 enterprises 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.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

Despite the Group has executed the business as planned, the result has not been satisfactory. The Group recorded a revenue of RMB141.1 million which represents the decrease by 32.5% 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 37.4%, offline retail sales by 62.6%, and wholesale to offline retailers by 32.3%. The revenue drop among the first quarter, second quarter, third quarter and fourth quarter were approximately 26.3%, 24.9%, 24.6%, and 51.1%.

Since the beginning of 2018, the demands for women's handbags have been weak arising from a number of market factors. First of all, the consumers in China tend to either purchase goods at lower prices or upgrade their purchase with more emphasis on style and individual characteristics. The brand products in the middle range have been affected. Secondly, the recent US-China trade war starting in the second half of 2018 has dampened the consumer sentiment in China and raised uncertainty to the consumer market.

Among the sale channels, the online retail sales witnessed the highest revenue drop. During the year, B2C e-commerce platform operators in China have shifted their focus to luxury and big ticket items. The online free traffic has been reduced. To cope with the changes, the Group has allocated more marketing resources in online sale platforms and multimedia. Concerted marketing effort was aimed at various marketing events during the high sale season. The Group participated in Paris Fashion Show in October 2018 to gain more exposure on Jessie & Jane brand. To ride on the consumers' preference, the Group has increased the effort in the design of handbags to fit with the market trend and further enhance product quality.

The revenue in offline retail sales dropped as the Group has executed the business plan to streamline directly operated offline retail points and transfer some stores to third party retailers. The Group's self-operated stores have dropped to 3 from 5. The business risk is reduced accordingly. The effect of lower operating expenses was achieved and the impact on bottom line is low. These stores remain to be important as they serve as display and allow consumers to gain product experience.

Wholesale to offline retailers has performed below our expectation in 2018 with 32.3% decline compared to the same period of last year. The offline retail points operated by third party retailers decreased from 105 to 90 owing to worse-than-expected sale performance. The number of third party offline retailers reduced from 42 to 34. Third party retailers have been restrained to add store numbers after witnessing sluggish offline sales. To encourage their new store opening and refurbishment, the Group has standby our offer to provide incentive to them when they consider the right timing. The retailers are more responsive to local consumers' needs when the market starts to turn upward. They also 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. Our collaboration with other existing major online platforms in China have worked well with increased sale contribution and sale activities. The revenue in wholesale to online retailers in 2018 has grown by 25.1% compared to corresponding period in 2017. We expect more revenue contribution by this channel in 2019.

In terms of revenue among the brands of ELLE and Jessie & Jane, the distribution is approximately 67.4% and 32.6% in 2018, compared to 62.7% and 37.3% 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 further collaboration with the retailers, other income has built up. It achieved RMB5.9 million for the period.

**Principal Risks and Uncertainties**

Our Group 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 behaviour.

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 brand 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, 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.

## FINANCIAL REVIEW

On turnover, the Group's total sales dropped by RMB67.9 million to RMB141.1 million (2017: RMB209.0 million).

Revenue by sales channel, the Group achieved RMB88.9 million sales from online retail points (2017: RMB141.9 million), representing 63.0% of total sales (2017: 67.9%). Sales to online retailers rose to RMB24.4 million (2017: RMB19.5 million). While the revenue of online retail points was lower by 37.4%, wholesale to online retailers increased by 25.1%. Total sales related to these online businesses amounted to RMB113.3 million (2017: RMB161.4 million), representing 29.8% reduction compared to 2017. Online businesses amounted to 80.3% of total sales (2017: 77.2%).

Offline retail sales dropped to RMB5.4 million (2017: RMB14.4 million) as the Group completed transferring retail points to third party retailers. The sales to offline retailers declined to RMB22.5 million (2017: RMB33.1 million). Total sales related to these offline businesses recorded at RMB27.9 million (2017: RMB47.5 million). The offline businesses recorded 41.3% reduction. Offline businesses amounted to 19.7% of total sales (2017: 22.8%).

| | **2018** | | 2017 | | (Decrease)/ Increase | (Drop)/ Growth rate |
|---|---|---|---|---|---|---|
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* | *RMB'000* | *%* |
| **Retail Sales** | | | | | | |
| Online retail sales | **88,846** | **63.0%** | 141,913 | 67.9% | (53,067) | (37.4%) |
| Offline retail sales | **5,388** | **3.8%** | 14,421 | 6.9% | (9,033) | (62.6%) |
| **Wholesales** | | | | | | |
| Wholesale to offline retailers | **22,454** | **15.9%** | 33,145 | 15.9% | (10,691) | (32.3%) |
| Wholesale to online retailers | **24,393** | **17.3%** | 19,504 | 9.3% | 4,889 | 25.1% |
| | **141,081** | **100.0%** | 208,983 | 100.0% | (67,902) | (32.5%) |

Revenue generated from ELLE products was lowered to RMB95.1 million (2017: RMB131.0 million) after transferring a number of self-operated retail points representing 27.4% drop. After strong sale growth in the past, Jessie & Jane products witnessed temporary setback. The sales of Jessie & Jane products was lowered to RMB46.0 million (2017: RMB78.0 million), representing 41.0% reduction.

| | **2018** | | 2017 | | Decrease | Drop rate |
|---|---|---|---|---|---|---|
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* | *RMB'000* | *%* |
| ELLE | **95,123** | **67.4%** | 131,024 | 62.7% | (35,901) | (27.4%) |
| Jessie & Jane | **45,958** | **32.6%** | 77,959 | 37.3% | (32,001) | (41.0%) |
| | **141,081** | **100.0%** | 208,983 | 100.0% | (67,902) | (32.5%) |

***Revenue***

The Group's revenue decreased by approximately RMB67.9 million, or 32.5%, from approximately RMB209.0 million in 2017 to approximately RMB141.1 million in 2018. The drop in revenue was caused by declined revenue in the sale channels of online retail sales, offline retail sales, and wholesale to offline retailers. Each of these channels recorded approximately 37.4%, 62.6% and 32.3% decline, respectively.

***Gross Profit and Gross Profit Margin***

The Group's gross profit decreased by approximately RMB41.1 million, or 34.9%, from approximately RMB117.9 million to approximately RMB76.8 million. The drop was largely attributable to the 32.5% declined sales. Our gross profit margin for 2018 and 2017 were approximately 54.4% and 56.4% respectively, which represent 2% margin reduction.

***Selling and Distribution Costs***

The Group's selling and distribution costs decreased by approximately RMB11.5 million, or 15.2%, from approximately RMB75.7 million to approximately RMB64.2 million. The decrease was mainly attributable to the decline in (i) sales commission, (ii) operating costs for directly operated offline retail stores, (iii) royalty payment and (iv) storage fees. Due to variable cost nature of a large portion of selling and distribution expenses, the costs were able to reduce accordingly.

***Administrative and Other Operating Expenses***

The Group's administrative and other operating expenses decreased by approximately RMB8.1 million, or 22.8%, from approximately RMB35.7 million to approximately RMB27.6 million. After deducting listing expenses, the administrative and operating expenses increased by RMB4.9 million or 21.8%, which was mainly attributable to higher operating costs after listing and exchange losses. Additional professional fee and other costs were recorded in relation to the compliance with the GEM Listing Rules and other regulations for maintaining the listing status. Also, unrealised exchange losses of RMB1.6 million was recorded owing to recent RMB depreciation.

## FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 31 December 2018,

(a) the Group's total assets decreased to approximately RMB91.1 million (2017: approximately RMB105.4 million) while the total equity increased to approximately RMB66.0 million (2017: approximately RMB30.0 million);

(b) the Group's current assets decreased to approximately RMB82.1 million (2017: approximately RMB100.1 million) while the current liabilities decreased to approximately RMB25.2 million (2017: approximately RMB75.4 million);

(c) the Group had approximately RMB18.0 million in cash and cash equivalents (2017: approximately RMB19.1 million), and the current ratio of the Group was approximately 3.3 times (2017: approximately 1.3 times);

(d) the Group had bank borrowings of approximately RMB6.1 million (2017: approximately RMB26.4 million), leaving RMB48.3 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 9.3% (2017: approximately 88.1%).

The share capital of the Group only comprises of ordinary shares. The Group actively and regularly reviews the capital structure and makes adjustments in light of changes in economic conditions. The Group monitors the capital structure on the basis of the net debt to equity ratio.

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 2018, the Group has approximately RMB5.6 million of capital expenditure (2017: approximately RMB4.2 million).

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group had no significant investments, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2018 (2017: Nil).

## CONTINGENT LIABILITIES

As at 31 December 2018, the Group had no material contingent liabilities or off-balance sheet obligation (2017: Nil).

## INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 31 December 2018, the Group did not have any assets pledged to secure general banking facilities (2017: Nil).

## PROSPECT

The management believes that the consumption in China continues to grow with increased purchasing power and steady economic growth. We believe that the Group will resume business growth in 2019. The Group has stepped up marketing effort in areas of strengthening product design, increasing exposure at target multimedia, and enhancing VIP member programs to market our products.

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, they will pave the way for steady growth in the coming years.

## 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. 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.

## COMPARISON OF BUSINESS OBJECTIVE AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

As set out in the Prospectus, the business objectives and strategies of the Group are (i) marketing investments in social media events; (ii) expansion of product design and development capacities; (iii) physical shop opening and refurbishment; and (iv) information technology system purchase and upgrade.

An analysis comparing the future plans and use of proceeds contained in the Prospectus with the Group's actual business progress for the period from the date of Listing to 31 December 2018 (the "Relevant Period") is set out below:

| Business strategy | Implementation plan | Actual business progress |
|---|---|---|
| Marketing investment in social media events | Providing sponsorships to artists and television programmes. | The Group is in the progress of seeking for appropriate artists for sponsorship and TV programmes. |
| | Increasing our marketing efforts by, among others, placing more advertisements on social media and photoshoots. | The Group has advertised on social media including ELLE website, magazines and photoshoots. |
| | Participating in and attending fashion shows and exhibitions. | The Group participated Paris Fashion Week in October 2018. |
| Expansion of product design and development capacities | Recruitment of designers and engage one more overseas design consultant firm for fashion trend information for our brands. | One additional designer has been recruited for Jessie & Jane. |
| | Recruitment of one additional product development manager and one additional procurement executive. | One additional product development manager, responsible for costume jewelry, has been recruited for Jessie & Jane. |
| Physical shop opening and refurbishment | Providing subsidy on decoration costs of approximately RMB150,000 each, representing approximately 50% of each shop's decoration costs, to our third party retailers for the opening of 14 new Jessie & Jane shops under new shop opening incentive scheme. | The Group has provided subsidy to third party retailers for the opening 4 new ELLE shops and 21 new Jessie & Jane shops under new shop opening incentive scheme. |

| Business strategy | Implementation plan | Actual business progress |
|---|---|---|
| Information technology system purchase and upgrade | Upgrading our finance system and functions such as inventory reports, etc. and sales processing system. | The Group has updated part of the finance system. |
| | Purchasing of software licences including our product design and operating system softwares. | The Group is in the progress of seeking for appropriate software. |
| | Purchasing of servers and storage equipment. | The Group is in the progress of seeking for appropriate suppliers. |

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

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

As at the date of this report, the Group has applied RMB14.2 million proceeds in the designated areas, compared to the initial plan of RMB16.0 million. Due to the intent to boost sales, higher portion of the proceeds was used in marketing through social media in 2018 to expose our brands and products in the consumer market. The investment in design and new product category, as well as offline store opening and refurbishment, have been proceeded cautiously so as to match with market development. Faced with weak consumer sentiment on our products, our offline retail partners have delayed their new store opening. Similarly, the Group has slow down the plan to diversify into other product category, thus deferring the plan to recruit one designer, one procurement executive and an overseas design consultant firm. 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 year ended 31 December 2018 are shown as below:

| | | Net proceeds | Utilised amount from the Listing Date up to 31 December 2018 | Unutilised amount as at 31 December 2018 |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| (1) | Marketing investment in social media events | 13,610 | 9,729 | 3,881 |
| (2) | Design and new product category | 4,185 | 351 | 3,834 |
| (3) | Physical shop opening and refurbishment | 6,250 | 2,751 | 3,499 |
| (4) | IT system purchase and upgrade | 6,862 | 1,328 | 5,534 |
| | Total Use of Net Proceeds | 30,907 | 14,159 | 16,748 |

## HUMAN RESOURCES

As at 31 December 2018, the Group had 88 employees (2017: 100) 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 RMB17.6 million for the year ended 31 December 2018 (2017: RMB17.8 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 2018 are generally appreciated and recognized.

## FINAL DIVIDEND

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2018. (2017: Nil)

## ANNUAL GENERAL MEETING

The Annual General Meeting ("the AGM") of the Company will be held on 4 June 2019 (Tuesday). The notice of AGM, which constitutes part of the circular to shareholders, will be sent together with the 2018 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 29 May 2019 to 4 June 2019, 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 28 May 2019.

## CORPORATE GOVERNANCE CODE

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 year ended 31 December 2018, the Company has complied with the applicable code provisions (the "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 2018.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

## 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. Won Chik Kee, Mr. Feng Dai and Ms. Sit Ting Fong. 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 2018.

## 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 2018 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
**Sling Group Holdings Limited**
**Mr. Yau Frederick Heng Chung**
*Chairman*

Hong Kong, 21 March 2019

*As at the date of this announcement, the executive Directors of the Company 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. Won Chik Kee, Mr. Feng Dai and Ms. Sit Ting Fong.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to 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.*

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