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 2019

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 Main Board of 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 of the Stock Exchange 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 2019 amounted to RMB146.1 million, an increase of 3.6% or RMB5.0 million as compared to RMB141.1 million for the year ended 31 December 2018.

- The Group for the year ended 31 December 2019 incurred loss of RMB16.1 million, compared to RMB5.3 million loss for the year ended 31 December 2018.

- Total sale related to online businesses, both online retail sales and wholesale to online retailers, reached RMB129.0 million, representing 14.0% rise compared to the year ended 31 December 2018. Among online businesses, online retail sales amounted to RMB107.6 million, representing 21.1% increase compared to the year ended 31 December 2018.

- Total sales related to offline businesses amounted to RMB17.1 million, representing 38.7% reduction compared to the year ended 31 December 2018. Offline retail sales further dropped to RMB3.5 million and wholesale to offline retailers reduced to RMB13.6 million.

- The board of directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2019.

RESULTS

The Board of Sling Group Holdings Limited (the "Company") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019, together with the comparative figures for the preceding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	*4*	**146,106**	141,081
Cost of sales		**(72,344)**	(64,315)
Gross profit		**73,762**	76,766
Other revenue and income	*5*	**6,056**	6,607
Government grants	*5*	**2,929**	3,086
Selling and distribution costs		**(69,781)**	(64,162)
Administrative and other operating expenses		**(26,106)**	(27,470)
Listing expenses		**—**	(106)
Finance costs	*6*	**(761)**	(227)
Loss before income tax	*7*	**(13,901)**	(5,506)
Income tax (expense)/credit	*8*	**(2,201)**	245
Loss for the year		**(16,102)**	(5,261)
Other comprehensive income			
Items that may be reclassified subsequently to the profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**448**	2,850
Total comprehensive loss for the year		**(15,654)**	(2,411)
(Loss)/Profit for the year attributable to:			
Equity holders of the Company		**(16,798)**	(5,261)
Non-controlling interests		**696**	—
		(16,102)	(5,261)
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		**(16,350)**	(2,411)
Non-controlling interests		**696**	—
		(15,654)	(2,411)
		RMB cents	*RMB cents*
Loss per share attributable to equity holders of the Company			
Basic and diluted	*10*	**(3.00)**	(0.95)

The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying the HKFRS 16 is recognised in retained profits at the date of initial application. See note 3.1.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**4,703**	2,236
Intangible assets		**3,241**	3,322
Financial asset at fair value through profit or loss ("FVTPL")		**465**	320
Deferred tax assets		**1,524**	3,144
		9,933	9,022
Current assets			
Inventories		**38,854**	38,888
Trade and other receivables	*11*	**25,449**	25,182
Amounts due from Controlling Shareholders		**9**	9
Income tax recoverable		**943**	51
Restricted cash	*12*	**4,006**	242
Cash and bank balances	*12*	**6,969**	17,746
		76,230	82,118
Current liabilities			
Trade and other payables	*13*	**19,022**	17,463
Lease liabilities		**2,566**	—
Contract liabilities		**585**	802
Bank borrowings	*14*	**12,541**	6,147
Amount due to the then immediate holding company		**14**	10
Income tax payable		**—**	733
		34,728	25,155
Net current assets		**41,502**	56,963
Total assets less current liabilities		**51,435**	65,985
Non-current liabilities			
Lease liabilities		**524**	—
Put option liability	*15*	**3,801**	—
		4,325	—
Net assets		**47,110**	65,985
EQUITY			
Share capital	*16*	**4,470**	4,470
Reserves	*17*	**41,454**	61,515
Equity attributable to equity holders of the Company		**45,924**	65,985
Non-controlling interests		**1,186**	—
Total equity		**47,110**	65,985

The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying the HKFRS 16 is recognised in retained profits at the date of initial application. See note 3.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

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 ("BVI") 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 Stock Exchange on 16 January 2018.

2. BASIS OF PREPARATION

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

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

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 3.

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

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional currency is Hong Kong dollars ("HK$"). The Company's primary subsidiaries were incorporated in the People's Republic of China (the "PRC") and these subsidiaries considered Renminbi ("RMB") as their functional currency. As the development and operation of the Group during the years are within the PRC, the Group determined to present the consolidated financial statements in RMB, unless otherwise stated.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019

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 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Payment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments

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 16 "Leases"

HKFRS 16 "Leases" replaces HKAS 17 "Leases" along with three Interpretations (HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC)-Int 15 "Operating Leases-Incentives" and HK(SIC)-Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of "retained profits" for the current year. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

As a Lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at its carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 4.75%.

The following is a reconciliation of total operating lease commitments as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019:

	RMB'000
Total operating lease commitments disclosed at 31 December 2018	6,963
Recognition exemptions:	
— Leases with remaining lease term of less than 12 months	(2,734)
Operating leases liabilities before discounting	4,229
Discounting using incremental borrowing rate as at 1 January 2019	(82)
Total lease liabilities recognised under HKFRS 16 as at 1 January 2019	4,147
Classified as:	
Current lease liabilities	2,275
Non-current lease liabilities	1,872
	4,147

Total impact arising from transition to HKFRS 16

The following table summarises the impact of transition to HKFRS 16 on the Group's consolidated statement of financial position as at 1 January 2019:

	RMB'000
Increase in right-of-use assets presented in property plant and equipment	4,094
Increase in lease liabilities	4,147
Decrease in retained profits	(53)

3.2 Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRSs	References to the Conceptual Framework in HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective date not yet determined

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors (the "Directors") of the Group anticipates that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. The adoption of these new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

4. REVENUE AND SEGMENT REPORTING

4.1 Revenue

The Group's principal activities are disclosed in note 1. 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:

	2019	2018
	RMB'000	*RMB'000*
Online retail sales	**107,578**	88,846
Wholesale to online retailers	**21,403**	24,393
Wholesale to offline retailers	**13,608**	22,454
Offline retail sales	**3,517**	5,388
	146,106	141,081

4.2 Segment information

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

Geographical information

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment (including right-of-use assets) 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 (including right-of-use assets), and the location of the operations to which they are allocated, in the case of intangible assets.

	2019 ***RMB'000***	2018 *RMB'000*
Revenue from external customers		
The PRC (excluding Hong Kong)	**146,106**	141,080
Hong Kong	**—**	1
	146,106	141,081
Specified non-current assets		
The PRC (excluding Hong Kong)	**7,228**	5,271
Hong Kong	**716**	287
	7,944	5,558

Information about major customers

During the year ended 31 December 2019, none of the Group's customers contributed more than 10% of the Group's revenue (2018: Nil).

5. OTHER REVENUE AND INCOME AND GOVERNMENT GRANTS

	2019	2018
	RMB'000	*RMB'000*
Other revenue		
Service income	**5,484**	5,943
Bank interest income	**185**	188
Dividend and interest income from financial asset at FVTPL	**5**	4
	5,674	6,135
Other income		
Reversal of write-down of inventories to net realisable value	**—**	169
Fair value gains on financial asset at FVTPL	**131**	102
Sundry income	**251**	201
	382	472
	6,056	6,607
Government grants *(note)*	**2,929**	3,086

Note: Government grants represented unconditional subsidies received from local governmental authorities by several subsidiaries of the Group.

6. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest charges on bank borrowings	**373**	227
Finance charges on lease liabilities	**245**	—
Remeasurement of put option liability	**143**	—
	761	227

7. LOSS BEFORE INCOME TAX

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

	2019	2018
	RMB'000	*RMB'000*
Auditor's remuneration	**651**	647
Cost of inventories recognised as an expense	**71,591**	63,561
Write-down of inventories to net realisable value	**275**	—
Reversal of write-down of inventories to net realisable value	**—**	(169)
Fair value gains on financial asset at FVTPL	**(131)**	(102)
Credit losses of financial assets at amortised cost, net	**796**	203
Amortisation of intangible assets	**298**	197
Depreciation of property, plant and equipment		
— Owned assets	**983**	895
— Right-of-use assets	**3,184**	—
Losses on written-off of property, plant and equipment	**10**	31
Losses on modification of lease term	**8**	—
Staff costs (including Directors' emoluments)		
— Salaries, allowances and other benefits	**14,998**	14,742
— Contributions to retirement benefit schemes	**3,041**	2,897
Operating lease charges on premises		
— Premises held under operating leases	**—**	4,285
— Short-term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	**2,773**	—
— Variable lease payments *(note)*	**366**	236
Exchange losses, net	**728**	1,550

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

8. INCOME TAX EXPENSE/(CREDIT)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of qualifying entities will be taxed at 8.25%, and the assessable profits above HK$2,000,000 will be taxed at 16.5%. The assessable profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. For the year ended 31 December 2019, Hong Kong profits tax of Sling Incorporated Limited, a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime. Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the year ended 31 December 2018.

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% (2018: 25%) on the estimated assessable profit for the year arising from the PRC.

	2019	2018
	RMB'000	*RMB'000*
Current tax		
Hong Kong Profits Tax		
— Current year	**111**	—
— Over provision in respect of prior years	**—**	(43)
PRC EIT		
— Current year	**470**	1,384
— Under-provision in respect of prior years	**—**	340
	581	1,681
Deferred tax		
— Charged/(Credited) to the profit or loss	**1,620**	(1,926)
Income tax expense/(credit)	**2,201**	(245)

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

	2019	2018
	RMB'000	*RMB'000*
Loss before income tax	**(13,901)**	(5,506)
Tax on loss before income tax, calculated at the rates applicable in the tax jurisdiction concerned	**(3,738)**	(883)
Tax effect on:		
— Non-deductible expenses	**419**	415
— Non-taxable income	**(23)**	(90)
— Tax losses not recognised	**5,558**	8
— Recognition of deductible temporary differences previously not recognised	**11**	8
— Unrecognised tax losses utilised	**(26)**	—
— Under-provision in respect of prior years	**—**	297
Income tax expense/(credit)	**2,201**	(245)

9. DIVIDENDS

No dividend was declared or paid by the Group during the year ended 31 December 2019 to its equity holders (2018: Nil).

10. LOSS PER SHARE

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

	2019	2018
	RMB'000	*RMB'000*
Loss		
Loss for the year attributable to equity holders of the Company	**16,798**	5,261
Number of shares		
Weighted average number of ordinary shares (in thousands)	**560,000**	554,630

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 16b), 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 of 140,000,000 new ordinary shares issued pursuant to the Share Offer (note 16a).

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

11. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**18,043**	17,009
Less: expected credit losses ("ECL") allowance	**(2,180)**	(1,384)
	15,863	15,625
Prepayments and other receivables		
Prepaid expenses	**6,188**	6,720
Rental and other deposits	**2,814**	2,235
Other receivables	**821**	839
Less: ECL allowance	**(237)**	(237)
	9,586	9,557
	25,449	25,182

The ageing analysis of trade receivables, based on the revenue recognition dates and net of ECL allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
0–90 days	**9,429**	8,447
91–180 days	**2,241**	4,166
181–365 days	**2,850**	2,061
Over 365 days	**1,343**	951
	15,863	15,625

The movement in ECL allowance of trade receivables is as follows:

	2019	2018
	RMB'000	*RMB'000*
As at 1 January	**1,384**	1,153
ECL recognised during the year	**1,277**	305
ECL reversed during the year	**(481)**	(74)
As at 31 December	**2,180**	1,384

The movement in ECL allowance of other receivables is as follows:

	2019	2018
	RMB'000	*RMB'000*
As at 1 January	**237**	385
Amount written-off during the year	**—**	(120)
ECL recognised during the year	**—**	227
ECL reversed during the year	**—**	(255)
As at 31 December	**237**	237

12. CASH AND CASH EQUIVALENTS

	2019	2018
	RMB'000	*RMB'000*
Cash and bank balances	**6,969**	11,468
Short-term bank deposits	**—**	6,278
	6,969	17,746
Restricted cash	**4,006**	242
Cash and cash equivalents presented in the consolidated statement of financial position	**10,975**	17,988
Less: restricted cash	**(4,006)**	(242)
Cash and cash equivalents presented in the consolidated statement of cash flows	**6,969**	17,746

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

For the year ended 31 December 2018, the short-term bank deposits earn 1.8% to 2.5% interest per annum. They have a maturity of 15 to 31 days and are eligible for immediate cancellation without receiving any interest for the last deposit period.

As at 31 December 2019, RMB3,926,000 (2018: Nil) restricted cash were pledged to a bank for securing bills payable (note 13).

Included in cash and cash equivalents of the Group of approximately RMB8,834,000 (2018: RMB10,301,000) as at 31 December 2019 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.

13. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables		
— to a related company controlled by three of the Controlling Shareholders	**—**	43
— to third parties	**5,100**	7,312
Bills payables	**3,926**	—
	9,026	7,355
Accrued charges and other payables		
Accrued expenses	**8,053**	6,838
Deposits received	**1,413**	1,754
Other tax payables	**443**	1,429
Other payables	**87**	87
	9,996	10,108
	19,022	17,463

As at 31 December 2019, bills payables are secured by restricted cash of RMB3,926,000 (2018: Nil) (note 12).

As at 31 December 2019 and 2018, accrued expenses mainly represents accrued commission and accrued shop management fee.

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

	2019	2018
	RMB'000	*RMB'000*
0–90 days	**7,882**	7,053
91–180 days	**1,000**	146
181–365 days	**32**	—
Over 365 days	**112**	156
	9,026	7,355

14. BANK BORROWINGS

	2019	2018
	RMB'000	*RMB'000*
Unsecured bank borrowings, wholly repayable within one year or on demand	**12,541**	6,147

Note: As at 31 December 2019, unsecured bank borrowings of RMB12,541,000 (2018: RMB6,147,000) are repayable within one year or on demand. The bank borrowings bear interest rate at 1.75% (2018: 1.75%) per annum over HIBOR.

As at 31 December 2019 and 2018, the bank borrowings are guaranteed by a corporate guarantee given by the Company.

15. PUT OPTION LIABILITY

	2019	2018
	RMB'000	*RMB'000*
Sencai Maoyi		
Initial recognition	**3,658**	—
Remeasurement	**143**	—
	3,801	—

On 29 January 2019, Senxuan Shangmao (Shanghai) Company Limited ("Senxuan Shangmao"), an indirect wholly-owned subsidiary of the Company, and Guangzhou Caige International Trading Company Limited ("Guangzhou Caige"), an independent third party, established the Sencai Maoyi (Shanghai) Company Limited ("Sencai Maoyi") for the purpose of engaging in the design and retail of luggage, clothes and accessories through online retail platforms in the PRC. The registered capital of the Sencai Maoyi is RMB1,000,000 (owned as to 51% by Senxuan Shangmao and as to 49% by Guangzhou Caige).

Pursuant to the shareholder agreement between Senxuan Shangmao and Guangzhou Caige dated 26 March 2019, the Group has granted a put option which entitles Guangzhou Caige to sell all, but not some, of its equity interest in Sencai Maoyi to the Group. The put option is exercisable 36 months after the establishment of Sencai Maoyi. The exercise price is determined based on 4.5 times of the net profit of the latest one and a half financial year of Sencai Maoyu times Guangzhou Caige's shareholding ratio. The exercise price is formula based.

The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount. The corresponding charge is accounted for directly as a reduction in the Group's equity since the risks and rewards have not been transferred to the Group until the option is exercised. The put option liability is subsequently re-measured as a result of the change in the expected performance at each reporting date, with any resulting gain or loss recognised in the profit or loss. In the event that the option expires unexercised, the written put option liability is derecognised with a corresponding adjustment to equity.

Given that the fair value of the put option liability varies with the non-financial variables that are specific to the parties in the contract, management of the Group has classified this put option liability as a financial liability at amortised cost.

16. SHARE CAPITAL

	2019 Number of shares	2019 RMB'000	2018 Number of shares	2018 RMB'000
Authorised:				
Ordinary shares of HK$0.01 each				
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 as at 1 January	**560,000,000**	**4,470**	1,000,000	9
Issuance of ordinary shares pursuant to the Share Offer *(note a)*	**—**	**—**	140,000,000	1,117
Issuance of ordinary shares pursuant to the Capitalisation Issue *(note b)*	**—**	**—**	419,000,000	3,344
As at 31 December	**560,000,000**	**4,470**	560,000,000	4,470

Note:

(a) 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.

(b) 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 2019 and 2018 are presented in the consolidated statement of changes in equity.

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 in connection with the listing of the Company's shares on the Stock Exchange.

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.

Put option reserve

During the year ended 31 December 2019, the Group issued a put option over the equity of a subsidiary. The amount that may become payable under the option on exercise is initially recognised at the present value of the redemption amount. The corresponding charge of RMB3,658,000 is accounted for directly as a reduction in the Group's equity under "put option reserve" since the risks and rewards have not been transferred to the Group until the option is exercised.

18. EVENTS AFTER THE REPORTING DATE

After the outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the regions in which the Group has business operations. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During 2019, the Group has implemented business plans for handbag distribution and launching luggage and travel accessory items under ELLE brand. The result is mixed. While the sales of luggage and travel accessory items have met our expectation, the sales of handbags have faced weak demands and increasing competition from other brands. The Group recorded a total revenue of RMB146.1 million in which represents an increase of 3.6% compared to the same period of 2018. The main reason for such increase was attributable to RMB45.7 million revenue contribution from the sales of luggage, which has started from the second quarter of 2019. After the 25.0% and 1.6% drop in revenue in the first quarter and in the second quarter of 2019, respectively, overall revenue has increased among third quarter and fourth quarter of 2019 by approximately 28.7%, and 21.3%, respectively. The diversification to other product has worked well and achieved the Group's target.

Since the beginning of US-China trade war in 2018, the demands for women's handbags have been weak. The imposition of increasing tariffs impacted the economy in China and spilled over to the consumer spending. Lower consumption in China was witnessed during the year. Further, other major consumer brands with significant resources have moved forward in online marketing and distribution, which directly compete with our brands in all aspects. As a result, the revenue arising from the sales of handbag declined to RMB100.4 million.

Among the sale channels, the online retail sales accounted for 73.6% of total revenue in 2019. During the year, it witnessed an improvement with 21.1% revenue growth. The contributing factor is the launch of luggage and accessory items, primarily focuses on online channel. To support the product launching, the Group has allocated significant marketing resources for online promotion to gain exposure and to generate sales.

The revenue in offline retail sales dropped by 34.7% to RMB3.5 million in 2019. It accounted for 2.4% of total revenue. As part of the Group business strategy to contain direct operating costs in offline retail points and transfer them to third party retailers, the Group maintains only 3 self-operated stores. These stores remain to be important since they serve as new product display and allow consumers to gain product experience.

Similar to offline retailer sales, wholesale to offline retailers encountered sluggish sales and thus our retailers adjusted down their purchase orders. Wholesale to offline retailers dropped by 39.4% compared to the same period of last year. The offline retail points operated by third party retailers decreased from 90 to 86 owing to worse-than-expected sale performance. The number of third party offline retailers has increased from 34 to 35. Third party retailers have been restrained to open new store after witnessing sluggish offline sales. The Group continues to standby our incentive offer for new store opening and refurbishment once 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.

The revenue in wholesale to online retailers in 2019 was down by 12.3% compared to corresponding period in 2018. Being the marketing plan to diversify into other B2C e-commerce platforms, the Group will continue to work on new and existing partnerships so as to reduce reliance on the No.1 B2C e-commerce platform.

In terms of revenue among the brands of ELLE and Jessie & Jane, the distribution is approximately 80.8% and 19.2%, respectively, in 2019, compared to 67.4% and 32.6% in the same period of 2018. Again, the sales of ELLE luggage and travel accessory contributed to the result.

Besides the design and distribution of women's 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 RMB5.5 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 followings are the key risks and uncertainties identified by the Group.

Market and operational risk

If the Group fail to renew license agreement to the use of ELLE brand or maintain proper operation of the e-commerce platforms which are operated by third parties, it may result in monetary penalties and would have a material adverse effect on the Group.

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

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

Financial risk

The Group's business operation is exposed to risks from exchange rates, interest rates, credit and liquidity.

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

Revenue

On turnover, the Group's total sales increased by RMB5.0 million to RMB146.1 million (2018: RMB141.1 million).

Revenue by sales channel, the Group achieved RMB107.6 million sales from online retail points (2018: RMB88.8 million), representing 73.6% of total sales (2018: 63.0%). Sales to online retailers dropped to RMB21.4 million (2018: RMB24.4 million). While the wholesale to online retailers was lower by 12.3%, online retail sales increased by 21.1%. Total sales related to these online businesses amounted to RMB129.0 million (2018: RMB113.2 million), representing 14.0% growth compared to 2018. Online businesses amounted to 88.3% of total sales (2018: 80.3%).

Offline retail sales dropped to RMB3.5 million (2018: RMB5.4 million). The sales to offline retailers declined to RMB13.6 million (2018: RMB22.5 million). Total sales related to these offline businesses recorded at RMB17.1 million (2018: RMB27.9 million). The offline businesses recorded 38.7% reduction. Offline businesses amounted to 11.7% of total sales (2018: 19.7%).

	2019		2018		Increase/ (Decrease)	Grow/ (Drop) rate
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Retail Sales						
Online retail sales	**107,578**	**73.6%**	88,846	63.0%	18,732	21.1%
Offline retail sales	**3,517**	**2.4%**	5,388	3.8%	(1,871)	(34.7%)
Wholesales						
Wholesale to offline retailers	**13,608**	**9.3%**	22,454	15.9%	(8,846)	(39.4%)
Wholesale to online retailers	**21,403**	**14.7%**	24,393	17.3%	(2,990)	(12.3%)
	146,106	**100.0%**	141,081	100.0%	5,025	3.6%

Revenue generated from ELLE products increased to RMB118.1 million (2018: RMB95.1 million) with the revenue contribution from luggage sales. Jessie & Jane products continued to witness sale drop. The sales of Jessie & Jane products was lowered to RMB28.0 million (2018: RMB46.0 million), representing 39.1% reduction.

	2019		2018		Increase/ (Decrease)	Grow/ (Drop) rate
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
ELLE	**118,096**	**80.8%**	95,123	67.4%	22,973	24.2%
Jessie & Jane	**28,010**	**19.2%**	45,958	32.6%	(17,948)	(39.1%)
	146,106	**100.0%**	141,081	100.0%	5,025	3.6%

The Group's revenue increased by approximately RMB5.0 million, or 3.6%, from approximately RMB141.1 million in 2018 to approximately RMB146.1 million in 2019. The rise in revenue was attributable to the sales of luggage in online retail sale channel. Besides online retail encountered 21.1% sale growth, other sale channels of offline retail sales, the sales to offline retailers, and the sales to online retailers, recorded approximately 34.7%, 39.4% and 12.3% decline respectively.

For further detailed discussion on the Group's business performance, please refer to the paragraph headed "Business Review" above.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately RMB3.0 million, or 3.9%, from approximately RMB76.8 million to approximately RMB73.8 million. The drop was largely attributable to the 3.9% lower gross profit margin. Our gross profit margin for 2019 and 2018 were approximately 50.5% and 54.4% respectively, which represent 3.9% margin reduction. The lower gross margin was attributed to lower gross profit margin in distributing luggage and travel accessory items, as well as lower selling prices in women's handbag.

Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately RMB5.6 million, or 8.7%, from approximately RMB64.2 million to approximately RMB69.8 million. The increase was mainly attributable to additional expenses in (i) marketing expenses, (ii) salary related to directly operated offline retail stores, (iii) amortisation of third party retailers' renovation subsidy, and (iv) royalty. The sales of luggage under ELLE brand since the second quarter of 2019 resulted in higher royalty payment, as well as higher marketing expenses through online platforms. Also, maintaining offline presence in self-managed stores and subsidizing third party retailers have posted increased operating expenses. Besides these, all other costs were reduced.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by approximately RMB1.4 million, or 5.1%, from approximately RMB27.5 million to approximately RMB26.1 million. The reduction was mainly attributable to controlling travelling expenses during the year and lower unrealised exchange losses.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 31 December 2019,

(a) the Group's total assets decreased to approximately RMB86.1 million (2018: approximately RMB91.1 million) while the total equity decreased to approximately RMB47.1 million (2018: approximately RMB66.0 million);

(b) the Group's current assets decreased to approximately RMB76.2 million (2018: approximately RMB82.1 million) while the current liabilities increased to approximately RMB34.7 million (2018: approximately RMB25.2 million);

(c) the Group had approximately RMB11.0 million in cash and cash equivalents (2018: approximately RMB18.0 million), and the current ratio of the Group was approximately 2.2 times (2018: approximately 3.3 times);

(d) the Group had bank borrowings of approximately RMB12.5 million (2018: approximately RMB6.1 million), leaving RMB43.0 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 26.5% (2018: approximately 9.3%).

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 2019, the Group has approximately RMB0.7 million of capital expenditure (2018: approximately RMB2.5 million).

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

Saved as disclosed in note 15, the Group had no significant investments, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2019 (2018: Nil).

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liabilities or off-balance sheet obligation (2018: Nil).

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

Save as disclosed in note 12, as at 31 December 2019, the Group did not have any assets pledged to secure general banking facilities (2018: Nil).

PROSPECT

Due to the US-China trade war since 2018, the consumer market in China has been weaken. The spending on fashion items, like women's handbag, have been affected. Since the outbreak of coronavirus in December 2019, all business and social activities in China virtually come to a standstill. The management forecasts the Group's business and financial performance in the first and second quarters of 2020 will be impacted until the return to normal daily life in China.

To cope with the challenging business environment, the management will further streamline business operation and focus on the fast growing online sales.

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 HK$.

The directors are of the view that the Group's operation not subject to significant foreign exchange rate risks. 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 2019 (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, increasing our marketing efforts on social media and photoshoots, as well as participating in fashion shows and exhibitions.	The Group has advertised through popular mobile platforms and online sale channels including WeChat, MicroBlog, Red, Tik Tok, JD.Com and Tmall. Also, the Group has applied the proceeds in sponsoring artists and TV programmes, as well as engaging celebrities to take Street Snap and photoshoots. To increase brand exposure, the Group participated in Paris Fashion Week in 2018 and various fashion exhibitions in China. The proceeds as allocated for marketing has been fully utilized as at 30 June 2019.
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.	Two additional designer have 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.

Business strategy	Implementation plan	Actual business progress
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 8 ELLE and 31 new Jessie & Jane offline retail points under new shop opening incentive scheme.	The Group has provided subsidy to third party retailers for the opening 9 new ELLE shops and 34 new Jessie & Jane retail points, as well as renovation of 3 ELLE shops and 2 Jessie & Jane shops, under new shop opening incentive scheme.
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 Exchange on 16 January 2018.

As at the date of this announcement, the Group has applied RMB20.9 million proceeds in the designated areas, compared to the initial plan of RMB28.5 million. Due to the intent to boost sales, higher portion of the proceeds was used in marketing through social media in 2019 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 an overseas design consultant firm. Given the current social and economic conditions, the Directors will closely monitor the Group's business development in order to apply proceeds in more cautious manner 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 2019 are shown as below:

		Net proceeds *RMB'000*	Utilised amount from the Listing Date up to 31 December 2019 *RMB'000*	Unutilised amount as at 31 December 2019 *RMB'000*
(1)	Marketing investment in social media events	13,610	13,610	—
(2)	Design and new product category	4,185	1,166	3,019
(3)	Physical shop opening and refurbishment	6,250	4,267	1,983
(4)	IT system purchase and upgrade	6,862	1,867	4,995
	Total use of net proceeds	30,907	20,910	9,997

HUMAN RESOURCES

As at 31 December 2019, the Group had 73 employees (2018: 88) 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 RMB18.0 million for the year ended 31 December 2019 (2018: RMB17.6 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 2019 are generally appreciated and recognized.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019. (2018: Nil)

ANNUAL GENERAL MEETING

The Annual General Meeting (the "AGM") of the Company will be held on 22 June 2020 (Monday). The notice of AGM, which constitutes part of the circular to shareholders, will be sent together with the 2019 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 17 June 2020 to 22 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 16 June 2020.

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 2019 period, the Company has complied with the applicable code provisions of the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (the "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 2019 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

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 2019.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkgem.com and on the Company's website at www.sling-inc.com.hk. The 2019 Annual Report of the Company will be dispatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 24 March 2020

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.