

SLING GROUP HOLDINGS LIMITED

森浩集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8285



**FIRST
QUARTERLY
REPORT
2020**

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 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.

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*This report, for which the directors (the “**Directors**”) of Sling Group Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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 report 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 report misleading.*

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the three months ended 31 March 2020

	Notes	Three months ended 31 March	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	3	19,841	29,373
Cost of sales		(10,407)	(14,225)
Gross profit		9,434	15,148
Other revenue and income		965	2,573
Government grants		31	235
Selling and distribution costs		(10,543)	(14,135)
Administrative and other operating expenses		(5,860)	(5,830)
Finance costs		(292)	(105)
Loss before income tax	6	(6,265)	(2,114)
Income tax expense	5	—	(122)
Loss for the period		(6,265)	(2,236)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to the profit or loss:</i>			
Exchange differences on translation of foreign operations		369	(434)
Total comprehensive loss for the period		(5,896)	(2,670)

		Three months ended 31 March	
		2020	2019
Notes		RMB'000 (Unaudited)	RMB'000 (Unaudited)
Loss for the period attributable to:			
Equity holders of the Company		(6,470)	(2,236)
Non-controlling interests		205	—
		(6,265)	(2,236)
Total comprehensive loss for the period attributable to:			
Equity holders of the Company		(6,101)	(2,670)
Non-controlling interests		205	—
		(5,896)	(2,670)
Loss per share attributable to equity holders of the Company		RMB cents	RMB cents
Basic and diluted	8	(1.16)	(0.40)

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the three months ended 31 March 2020

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Statutory reserve	Put option reserve	Translation reserve	Retained profits/ losses (Accumulated)	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2019	4,470	35,026	10,520	788	—	2,194	12,934	65,932	—	65,932
Loss for the period	—	—	—	—	—	—	(2,236)	(2,236)	—	(2,236)
<i>Other comprehensive loss</i>										
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	(434)	—	(434)	—	(434)
Total comprehensive loss for the period	—	—	—	—	—	(434)	(2,236)	(2,670)	—	(2,670)
As at 31 March 2019 (unaudited)	4,470	35,026	10,520	788	—	1,760	10,698	63,262	—	63,262
As at 1 January 2020	4,470	35,026	10,520	1,195	(3,658)	2,642	(4,271)	45,924	1,186	47,110
(Loss)/Profit for the period	—	—	—	—	—	—	(6,470)	(6,470)	205	(6,265)
<i>Other comprehensive income</i>										
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	369	—	369	—	369
Total comprehensive income/(loss) for the period	—	—	—	—	—	369	(6,470)	(6,101)	205	(5,896)
As at 31 March 2020 (unaudited)	4,470	35,026	10,520	1,195	(3,658)	3,011	(10,741)	39,823	1,391	41,214

Notes to the Unaudited Condensed Consolidated Financial Statements

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020 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 unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of Hong Kong Companies Ordinance and include the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2019. The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2019.

As at the date of authorisation of the unaudited condensed consolidated financial statements, HKICPA has issued a number of new and amended HKFRSs. The adoption of these new and amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

The Group has not adopted early any new and amended HKFRSs that are relevant to the Group have been issued but are not yet effective for the current accounting period.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for financial asset at fair value through profit or loss 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 unaudited condensed consolidated financial statements in RMB, unless otherwise stated.

The preparation of the unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the accounting policies of the Group. The accounting estimates and assumptions used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2019.

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

3. REVENUE

Revenue represents the fair value of consideration received and receivable from 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:

	Three months ended 31 March	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Online retail sales	16,459	17,505
Wholesale to online retailers	2,089	5,077
Wholesale to offline retailers	1,021	5,780
Offline retail sales	272	1,011
	19,841	29,373

4. 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.

	Three months ended 31 March	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue from external customers		
The PRC (excluding Hong Kong)	19,841	29,373

	As at 31 March 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Specified non-current assets		
The PRC (excluding Hong Kong)	5,988	7,228
Hong Kong	639	716
	6,627	7,944

Information about major customers

During the three months ended 31 March 2020, none of the Group's customers contributed more than 10% of the Group's revenue (2019: Nil).

5. INCOME TAX EXPENSE

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% (2019: 25%) on the estimated assessable profit for the period arising from the PRC.

	Three months ended 31 March	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax		
The PRC EIT		
— Current period	—	122

6. LOSS BEFORE INCOME TAX

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

	Three months ended 31 March	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Auditor's remuneration	8	5
Cost of inventories recognised as an expense	10,344	14,034
Credit losses of financial assets at amortised cost, net	928	—
Amortisation of intangible assets	76	71
Depreciation of property, plant and equipment		
— Owned assets	272	218
— Right-of-use assets	440	658
Gain on modification of lease term	(42)	—
Staff costs (including directors' emoluments)		
— Salaries, allowances and other benefits	2,986	3,601
— Contributions to retirement benefit schemes	372	526
Operating lease charges on premises		
— Short-term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	520	489
— Variable lease payments (note)	70	286
Exchange loss/(gain), net	603	(533)

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

7. DIVIDENDS

The board of directors (the “**Board**”) does not recommend the payment of an interim dividend for the three months ended 31 March 2020 (2019: Nil).

8. LOSS PER SHARE

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

	Three months ended 31 March	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Loss		
Loss for the period attributable to equity holders of the Company	6,470	2,236
Number of shares		
Weighted average number of ordinary shares (in thousands)	560,000	560,000

There were no dilutive potential ordinary shares during the three months ended 31 March 2020 and 2019 and therefore, diluted loss per share equals to basic loss per share.

Management Discussion and Analysis

BUSINESS REVIEW

During the three months ended 31 March 2020, the Group recorded a revenue of approximately RMB19.8 million which represents sale decrease by 32.7% as compared to the same period of last year. The revenue in all sale channels witnessed decline. The decline in online retails sales, wholesale to online retailers, offline retail sales and wholesale to offline retailers were 6.0%, 58.9%, 73.1%, and 82.3% respectively compared to the corresponding period in 2019.

The outbreak of coronavirus in January and nationwide lock down resulted in much reduced sale activities for the middle-end women handbags. Consumers had little appetite for purchase, delivery of goods was not possible owing to traffic controls in many parts of China, and offline outlets were temporarily closed.

The original marketing plans were suspended or deferred to execute during the period. Since 2019, the Group has streamlined operations, reduced headcount, consolidated inventory from various channels, and integrated our database for the purpose of improving operating efficiency. In addition to the rationalization plan, the Group decided to close down two self-operated stores in March to further contain operating costs after facing the unexpected market downturn. The Group also decides to put resources together so as to focus on online marketing and sales. Further to the marketing collaboration with various B2C e-commerce platform operators, the Group has increasingly engaged different multi-media and popular APPs to reach out our target millennial generation more effectively.

The joint venture business in marketing and distribution of luggage has performed in line with our plan until the Chinese New Year. The business remains profitable in the first quarter. As travel activities in China are virtually put on hold, there are little demands for luggage and travel accessory products. Having said that, the demand would gradually pick up in the second half of the year when the spreading of coronavirus is under control and local travelling within China resumes and increases. We remain positive to the industry in the medium term and our partner's expertise in marketing and distributing the products. The Group's investment in the business is one of our initiatives to reduce reliance on women's handbag products and to leverage on our strength in online marketing for business growth in the future.

FUTURE PROSPECTS

The first quarter of 2020 was disappointing as a result of the outbreak. Our business were disrupted and marketing plans have been deferred. The Group is implementing measures to contain the negative impact in the first half of the year. Despite still challenging in the forthcoming quarters, the Group forecasts improvement in the second half of the year as various marketing plans have prepared and will put forward to capture market recovery.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB9.6 million, or 32.7%, from approximately RMB29.4 million for the three months ended 31 March 2019 to approximately RMB19.8 million for the three months ended 31 March 2020.

Being the largest revenue contributor, online retail sales reduced by RMB1.0 million to RMB16.5 million. Also, online wholesalers have waited for market returned and upcoming promotional offer to formulate their marketing programs. Wholesale to online retailers dropped by RMB3.0 million to RMB2.1 million. These online sales accounted for 93.5% of total revenue.

Due to the close down of self-operated shops most of the time, offline retail sales dropped to RMB0.3 million only. Similarly, offline retailers have deferred procurement so as to preserve operating cash and wait for returning consumers. As such, wholesale to offline retailers has lowered from RMB5.8 million to RMB1.0 million. The offline sales were lowered to 6.5% of total revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately RMB5.7 million, or 37.7%, from approximately RMB15.1 million for the three months ended 31 March 2019 to approximately RMB9.4 million for the three months ended 31 March 2020. The Group's gross profit margins for the three months ended 31 March 2019 and 31 March 2020 were approximately 51.4% and 47.5% respectively.

The decline in gross profit was largely attributable to the RMB9.6 million reduced sales and approximately 3.9% gross margin reduction in the three months ended 31 March 2020. As a result of negative impact from the coronavirus outbreak on the consumers, the Group was price responsive to the market sentiment. Both gross profit and gross profit margin have been under pressure.

Selling and Distribution Costs

The Group's selling and distribution costs decreased by approximately RMB3.6 million, or 25.5%, from approximately RMB14.1 million for the three months ended 31 March 2019 to approximately RMB10.5 million for the three months ended 31 March 2020. Except for the marketing costs related to luggage sales and distribution, most other selling expenses were reduced.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses increased by approximately RMB0.1 million, or 0.5%, from approximately RMB5.8 million for the three months ended 31 March 2019 to approximately RMB5.9 million for the three months ended 31 March 2020. The increase was mainly attributable to RMB0.6 million exchange loss and RMB0.9 million credit loss incurred during the period.

Income Tax Expense

The Group's income tax expense decreased to nil for the three months ended 31 March 2020 from approximately RMB0.2 million for the three months ended 31 March 2019. The decrease was primarily attributable to operating loss during the period.

Loss for the Period

The Group incurred loss of approximately RMB6.3 million for the three months ended 31 March 2020, compared to approximately RMB2.2 million loss for the three months ended 31 March 2019. The loss was primarily attributable to the decline in revenue and lower gross profit margin.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group had no material contingent liabilities or off-balance sheet obligation (2019: Nil).

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

The Group was listed on the GEM on 16 January 2018. As at 31 March 2020, the Group has applied approximately RMB21.0 million proceeds in the designated areas. The Group does not anticipate to fully apply the use of net proceeds before 30 June 2020 as in the original plan set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Group has resolved and made announcement "Change in Use of Proceeds" on 11 May 2020 to reallocate the unutilised proportion among the Future Plans. The Group considers it would be more effective to change the portion among the Future Plans for better business result. For details and reasons of the change in use of proceeds, please refer to the announcement "Change in Use of Proceeds" of the Company dated 11 May 2020.

The use of IPO proceeds for the three months ended 31 March 2020 are shown as below:

	Net proceeds RMB'000	Utilised amount as of 31 March 2020 RMB'000	Unutilised amount as of 31 March 2020 RMB'000	Utilised amount as of 11 May 2020 RMB'000	Unutilised amount as at 11 May 2020 RMB'000	Unutilised net proceeds amount as at 11 May 2020 after revised allocation RMB'000
(1) Marketing investment in social media events	13,610	13,610	—	13,610	—	4,000
(2) Design and new product category	4,185	1,211	2,974	1,211	2,974	—
(3) Physical shop opening and refurbishment	6,250	4,267	1,983	4,267	1,983	—
(4) IT system purchase and upgrade	6,862	1,867	4,995	1,867	4,995	—
(5) Working capital	79	79	—	79	—	5,952
Total use of net proceeds	30,986	21,034	9,952	21,034	9,952	9,952

EVENTS AFTER REPORTING DATE

As from 31 March 2020 to the date of this report, save as disclosed in this report, the Board is not aware of any significant events requiring disclosure that have occurred.

Other Information

A. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2020, the interests and short positions of the Directors and the chief executive of the Company in the Company's shares (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required: (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred therein (the "Register"); or (iii) pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

(i) Long Position in the Shares of the Company

Name of Directors	Capacity/ Nature of Interest	Number of shares held/ Interested in	Percentage of shareholding
Mr. Yau Tai Leung Sammy (Note)	Interests held jointly with other persons; interest in a controlled corporation	291,838,960	52.1141%
Mr. Yau Sonny Tai Nin (Note)	Interests held jointly with other persons; interest in a controlled corporation	291,838,960	52.1141%

Note: Yen Sheng BVI was beneficially owned by Mr. Yau Tai Leung Sammy and Mr. Yau Sonny Tai Nin as to approximately 49.3120% and 49.2321%, respectively. By virtue of the SFO, Mr. Yau Tai Leung Sammy and Mr. Yau Sonny Tai Nin are deemed to be interested in all the Shares held by Yen Sheng BVI.

(ii) Long Position in the Shares of the Associated Corporations

Name of Directors	Position in the associated corporations	Percentage of interest in the associated corporation
Mr. Yau Tai Leung Sammy	Director of Yen Sheng BVI	49.31% in Yen Sheng BVI
Mr. Yau Sonny Tai Nin	Director of Yen Sheng BVI	49.23% in Yen Sheng BVI
Mr. Yau Frederick Heng Hang	Director of Yen Sheng BVI	0.69% in Yen Sheng BVI

Save as disclosed above, as at 31 March 2020, none of the Directors and the chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the Register, or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

B. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 31 March 2020, the following persons/entities other than a Director or the chief executive of the Company had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued voting Shares:

Name of Shareholders	Long/Short position	Nature of interest	Shares held	Percentage of Shareholding
Yen Sheng BVI	Long position	Beneficial owner	291,838,960	52.1141%
Yau Tai Leung Sammy (Note 1)	Long position	Interests held jointly with other persons; Interest in a controlled corporation	291,838,960	52.1141%
Chan Yee Ling Elaine (Note 2)	Long position	Interests of spouse	291,838,960	52.1141%
Yau Sonny Tai Nin (Note 1)	Long position	Interests held jointly with other persons; Interest in a controlled corporation	291,838,960	52.1141%
Hiang Siu Wei Cecilia (Note 3)	Long position	Interests of spouse	291,838,960	52.1141%
Summit Time Resources Limited	Long position	Beneficial owner	128,161,040	22.8859%
Li Wing Chi Agnes (Note 4)	Long position	Interest in a controlled corporation	128,161,040	22.8859%
Lee Shui Kwai Victor (Note 5)	Long position	Interests of spouse	128,161,040	22.8859%

Notes:

1. Yen Sheng BVI was beneficially owned by Mr. Yau Tai Leung Sammy and Mr. Yau Sonny Tai Nin as to approximately 49.3120% and 49.2321%, respectively. By virtue of the SFO, Mr. Yau Tai Leung Sammy and Mr. Yau Sonny Tai Nin are deemed to be interested in all the Shares held by Yen Sheng BVI.
2. Ms. Chan Yee Ling Elaine is the spouse of Mr. Yau Tai Leung Sammy. By virtue of the SFO, Ms. Chan Yee Ling Elaine is deemed to be interested in all the Shares held by Mr. Yau Tai Leung Sammy.
3. Ms. Hiang Siu Wei Cecilia is the spouse of Mr. Yau Sonny Tai Nin. By virtue of the SFO, Ms. Hiang Siu Wei Cecilia is deemed to be interested in all the Shares held by Mr. Yau Sonny Tai Nin.
4. Summit Time Resources Limited was wholly owned by Ms. Li Wing Chi Agnes. By virtue of the SFO, Ms. Li Wing Chi Agnes is deemed to be interested in all the Shares held by Summit Time Resources Limited.
5. Mr. Lee Shui Kwai Victor is the spouse of Ms. Li Wing Chi Agnes. By virtue of the SFO, Mr. Lee Shui Kwai Victor is deemed to be interested in all the Shares held by Ms. Li Wing Chi Agnes.

Save as disclosed above, as at 31 March 2020, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2020 (2019: Nil).

SHARE OPTION SCHEME

The Company has a share option scheme which was approved and adopted by the shareholders of the Company by way of the written resolution passed on 15 December 2017 ("**Share Option Scheme**"). No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme since adoption and there was no share option outstanding as at 31 March 2020.

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

Each of the controlling Shareholders, namely Yen Sheng BVI, Mr. Yau Sonny Tai Nin, Mr. Yau Tai Leung Sammy, Mr. Yau Frederick Heng Chung, Mr. Yau Nicholas Heng Wah and Ms. Hiang Siu Wei Cecilia, entered into the Non-Competition Undertaking in favour of the Company on 15 December 2017, details of which have been set out in the prospectus of the Company dated 29 December 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities throughout three months ended 31 March 2020.

CORPORATE GOVERNANCE

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. During the three months ended 31 March 2020, the Company has complied with the applicable code provisions of the CG Code.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

None of the Directors and controlling shareholders of the Company or any of their respective close associates as defined in the GEM Listing Rules has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or had any other conflict of interests with the Group during the three months ended 31 March 2020.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct ("**Code of Conduct**") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct for the three months ended 31 March 2020.

INTERESTS OF COMPLIANCE ADVISER

Save for the compliance adviser agreement between the Company and Kingsway Capital Limited, neither Kingsway Capital Limited nor any of its directors, employees or close associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

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

The Audit Committee comprises three members, all being Independent Non-executive Directors, namely Mr. Won Chik Kee (chairman of the Audit Committee), Mr. Feng Dai, and Ms. Sit Ting Fong. It has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing and financial reporting matters, including review of the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2020.

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

Hong Kong, 13 May 2020

As at the date of this report, 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.