

# 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



INTERIM REPORT  
**2020**

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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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 six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
<b>Revenue</b>	3	18,252	40,175	38,093	69,548
Cost of sales		(10,494)	(18,795)	(20,901)	(33,020)
<b>Gross profit</b>		7,758	21,380	17,192	36,528
Other revenue and income		306	871	1,271	3,444
Government grants		952	2,665	983	2,900
Selling and distribution costs		(10,991)	(18,874)	(21,534)	(33,009)
Administrative and other operating expenses		(6,329)	(6,466)	(12,189)	(12,296)
Finance costs		(132)	(146)	(424)	(251)
<b>Loss before income tax</b>	6	(8,436)	(570)	(14,701)	(2,684)
Income tax expense	5	—	(1,064)	—	(1,186)
<b>Loss for the period</b>		(8,436)	(1,634)	(14,701)	(3,870)
<b>Other comprehensive income</b>					
<i>Item that may be reclassified subsequently to the profit or loss:</i>					
Exchange differences on translation of financial statements of foreign operations		8	460	377	26
<b>Total comprehensive loss for the period</b>		(8,428)	(1,174)	(14,324)	(3,844)

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>(Loss)/Profit for the period attributable to:</b>				
Equity holders of the Company	(7,850)	(1,702)	(14,320)	(3,938)
Non-controlling interests	(586)	68	(381)	68
	<b>(8,436)</b>	<b>(1,634)</b>	<b>(14,701)</b>	<b>(3,870)</b>
<b>Total comprehensive (loss)/income for the period attributable to:</b>				
Equity holders of the Company	(7,842)	(1,242)	(13,943)	(3,912)
Non-controlling interests	(586)	68	(381)	68
	<b>(8,428)</b>	<b>(1,174)</b>	<b>(14,324)</b>	<b>(3,844)</b>
<b>Loss per share attributable to equity holders of the Company</b>	<b>RMB cents</b>	<b>RMB cents</b>	<b>RMB cents</b>	<b>RMB cents</b>
Basic and diluted	8 (1.40)	(0.30)	(2.56)	(0.70)

# Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2020

	<i>Notes</i>	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	2,815	4,703
Intangible assets		2,876	3,241
Financial asset at fair value through profit or loss ("FVTPL")	10	475	465
Deferred tax assets		1,524	1,524
		<b>7,690</b>	<b>9,933</b>
<b>Current assets</b>			
Inventories		30,561	38,854
Trade and other receivables	11	16,851	25,449
Amounts due from Controlling Shareholders		9	9
Income tax recoverable		372	943
Restricted cash		274	4,006
Cash and bank balances		10,492	6,969
		<b>58,559</b>	<b>76,230</b>
<b>Current liabilities</b>			
Trade and other payables	12	10,888	19,022
Lease liabilities		1,213	2,566
Contract liabilities		1,733	585
Bank borrowings		15,163	12,541
Amount due to the then immediate holding company		18	14
Income tax payable		347	—
		<b>29,362</b>	<b>34,728</b>
<b>Net current assets</b>		<b>29,197</b>	<b>41,502</b>
<b>Total assets less current liabilities</b>		<b>36,887</b>	<b>51,435</b>

	<i>Notes</i>	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	<b>As at 31 December 2019 RMB'000 (Audited)</b>
<b>Non-current liabilities</b>			
Lease liabilities		162	524
Put option liability		3,939	3,801
		<b>4,101</b>	<b>4,325</b>
<b>Net assets</b>			
		<b>32,786</b>	<b>47,110</b>
<b>EQUITY</b>			
Share capital	13	4,470	4,470
Reserves		27,511	41,454
<b>Equity attributable to equity holders of the Company</b>			
		<b>31,981</b>	<b>45,924</b>
<b>Non-controlling interests</b>		<b>805</b>	<b>1,186</b>
<b>Total equity</b>			
		<b>32,786</b>	<b>47,110</b>

# Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2020

	Attributable to equity holders of the Company							Non-controlling interest	Total
	Share capital	Share premium	Capital reserve	Statutory reserve	Translation reserve	Retained profits	Sub-total		
	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)/Profit for the period	—	—	—	—	—	(3,938)	(3,938)	68	(3,870)
<i>Other comprehensive income:</i>									
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	26	—	26	—	26
Total comprehensive income/(loss) for the period	—	—	—	—	26	(3,938)	(3,912)	68	(3,844)
Capital contribution from non-controlling interest	—	—	—	—	—	—	—	490	490
As at 30 June 2019 (Unaudited)	4,470	35,026	10,520	788	2,220	8,996	62,020	558	62,578

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Statutory reserve	Put option reserve	Translation reserve	Accumulated losses	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 2020	4,470	35,026	10,520	1,195	(3,658)	2,642	(4,271)	45,924	1,186	47,110
Loss for the period	–	–	–	–	–	–	(14,320)	(14,320)	(381)	(14,701)
<i>Other comprehensive income:</i>										
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	377	–	377	–	377
Total comprehensive income/(loss) for the period	–	–	–	–	–	377	(14,320)	(13,943)	(381)	(14,324)
As at 30 June 2020 (Unaudited)	4,470	35,026	10,520	1,195	(3,658)	3,019	(18,591)	31,981	805	32,786

# Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Net cash generated from/(used in) operating activities	2,401	(992)
Net cash generated from/(used in) investing activities	46	(8,156)
Net cash generated from financing activities	1,076	3,580
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,523</b>	<b>(5,568)</b>
Cash and cash equivalents at the beginning of the period	6,969	17,746
<b>Cash and cash equivalents at the end of the period</b>	<b>10,492</b>	<b>12,178</b>

# Notes to the Condensed Consolidated Interim Financial Statements

*For the six months ended 30 June 2020*

## 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. 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

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

The condensed consolidated interim 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 condensed consolidated interim financial statements are

consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2019, except for the accounting policies as disclosed below:

### **Amendments to HKFRS 3 “Definition of a business”**

The amendments narrowed and clarified the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify that a business is considered as an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Guidance and illustrative examples are provided to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add an optional concentration test that permits simplified assessment of whether an acquired set of activities and assets is not a business; and
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

### **Amendments to HKAS 1 and HKAS 8 “Definition of Material”**

The amendments clarify the definition of material and state that “information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold “could influence” with “could reasonably be expected to influence” in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

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 condensed consolidated interim 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 condensed consolidated interim financial statements in RMB, unless otherwise stated.

The preparation of the condensed consolidated interim 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 condensed consolidated interim financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2019.

The condensed consolidated interim 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 30 June		Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Online retail sales	13,464	18,624	29,923	36,129
Wholesale to online retailers	3,057	18,324	5,146	23,401
Wholesale to offline retailers	1,340	2,279	2,361	8,059
Offline retail sales	391	948	663	1,959
	<b>18,252</b>	40,175	<b>38,093</b>	69,548

## 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 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 30 June		Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Revenue from external customers</b>				
The PRC (excluding Hong Kong)	18,252	40,175	38,093	69,548

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
<b>Specified non-current assets</b>		
The PRC (excluding Hong Kong)	5,120	7,228
Hong Kong	571	716
	<b>5,691</b>	<b>7,944</b>

### Information about major customers

During the six months ended 30 June 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 30 June		Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Current tax</b>				
The PRC EIT				
— Current period	—	1,064	—	1,186

## 6. LOSS BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Auditor's remuneration	29	19	37	24
Cost of inventories recognised as an expense	10,371	18,623	20,715	32,657
Credit losses of financial assets, net	1,314	—	2,242	—
Amortisation of intangible assets	289	75	365	146
Depreciation of property, plant and equipment				
— Owned assets	223	197	495	437
— Right-of-use assets	551	985	991	1,621
Loss/(Gain) on modification of lease term	22	—	(20)	—
Staff costs (including directors' emoluments)				
— Salaries, allowances and other benefits	3,198	3,616	6,184	7,217
— Contributions to retirement benefit schemes	272	631	644	1,157
Operating lease charges on premises:				
— Short-term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	580	710	1,100	1,199
— Variable lease payments (note)	1	110	71	396
Exchange (gain)/losses, net	(25)	624	578	91

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.

## 7. DIVIDENDS

The board of directors (the “**Board**”) does not recommend the payment of an interim dividend for the six months ended 30 June 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 30 June		Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Loss</b>				
Loss for the period attributable to equity holders of the Company	(7,850)	(1,702)	(14,320)	(3,938)
<b>Number of shares</b>				
Weighted average number of ordinary shares (in thousands)	560,000	560,000	560,000	560,000

There were no dilutive potential ordinary shares during the six months ended 30 June 2020 and 2019 and therefore, diluted loss per share equals to basic loss per share.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group has not acquired any property, plant and equipment (six months ended 30 June 2019: RMB439,000). During the six months ended 30 June 2020, the Group disposed property, plant and equipment of RMB259,000 (six months ended 30 June 2019: RMB152,000).

During the six months ended 30 June 2020, the Group did not enter into any new lease agreements (six months ended 30 June 2019: two new lease agreements for use of premises for 2-3 years). During the six months ended 30 June 2019, the Group recognised right-of-use assets and lease liabilities amounting to RMB2,796,000 and RMB2,796,000 respectively.

As at 30 June 2020, the carrying amounts of the Group's right-of-use assets in relation to premises is RMB1,628,000 (31 December 2019: RMB3,015,000).

## 10. FINANCIAL ASSET AT FVTPL

The Group entered into a life insurance policy (the “**Policy**”) with an insurance company to insure a director of the Company. The Group is the policy holder and the beneficiary of the Policy. The Group is eligible for surrender the Policy at any time for cash equivalent to the net cash value.

The financial asset at FVTPL represents the carrying amount of the net cash value of the Policy as at 30 June 2020 which comprised of guaranteed cash value of RMB458,000 (31 December 2019: RMB449,000) together with accumulated annual dividends and its accrued interests of RMB17,000 (31 December 2019: RMB16,000).

The financial asset at FVTPL is denominated in HK\$ and the fair value is determined by reference to the net cash value as provided by the insurance company.

## 11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
<b>Trade receivables</b>	<b>15,136</b>	18,043
Less: expected credit losses (“ECL”) allowance	(4,422)	(2,180)
	<b>10,714</b>	15,863
<b>Prepayments and other receivables</b>		
Prepaid expenses	3,533	6,188
Rental and other deposits	2,148	2,814
Other receivables	693	821
Less: ECL allowance	(237)	(237)
	<b>6,137</b>	9,586
	<b>16,851</b>	25,449

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
0-90 days	5,945	9,429
91-180 days	534	2,241
181-365 days	2,278	2,850
Over 365 days	1,957	1,343
	<b>10,714</b>	15,863

## 12. TRADE AND OTHER PAYABLES

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
<b>Trade payables</b>	4,106	5,100
<b>Bills payables</b>	194	3,926
	<b>4,300</b>	<b>9,026</b>
<b>Accrued charges and other payables</b>		
Accrued expenses	4,082	8,053
Deposits received	1,270	1,413
Other tax payables	1,149	443
Other payables	87	87
	<b>6,588</b>	<b>9,996</b>
	<b>10,888</b>	<b>19,022</b>

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

	<b>As at 30 June 2020 RMB'000 (Unaudited)</b>	As at 31 December 2019 RMB'000 (Audited)
0-90 days	3,380	7,882
91-180 days	777	1,000
181-365 days	1	32
Over 365 days	142	112
	<b>4,300</b>	9,026

### 13. SHARE CAPITAL

	Number of shares	RMB'000
<b>Authorised:</b> Ordinary shares of HK\$0.01 each <b>As at 31 December 2019 and 30 June 2020</b>	<b>1,110,000,000</b>	<b>9,243</b>
<b>Issued and fully paid:</b> Ordinary shares of HK\$0.01 each <b>As at 31 December 2019 and 30 June 2020</b>	<b>560,000,000</b>	<b>4,470</b>

## 14. RELATED PARTY TRANSACTIONS

Other than as disclosed in these condensed consolidated interim financial statements, the Group entered into the following material related party transactions during the six months ended 30 June 2020.

### (a) Transactions with related parties

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
<b>Purchases of goods from a related company</b>				
– Dongguan Taiheng Handbags Company Limited 東莞泰亨手袋有限公司 (“Dongguan Taiheng”) (note a)	–	592	–	1,122
<b>Finance charges on lease liabilities paid to a related company</b>				
– Unigrade International Limited (note b)	4	9	11	18

Notes:

- (a) Dongguan Taiheng is a related company controlled by Mr. Sammy Yau, Mr. Sonny Yau and Ms. Cecilia Hiang. Such related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.
- (b) Unigrade International Limited is a related company controlled by Mr. Sammy Yau, Mr. Sonny Yau, Mr. Fred Yau and Mr. Nicholas Yau. As at 30 June 2020, lease liabilities balance with Unigrade was RMB433,000 (31 December 2019: RMB531,000).

## (b) Key management personnel remuneration

	Three months ended 30 June		Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Salaries, allowances and other benefits	466	755	1,242	1,676
Contributions to retirement benefit schemes	19	65	53	137
	485	820	1,295	1,813

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the six months ended 30 June 2020, the Group recorded a revenue of RMB38.1 million, which represents the decrease of 45.2% as compared to the same period of last year. The main reason for such decrease was attributable to the revenue drop in distributing women's handbag, as well as the business in luggage and travel accessories. The revenue drop among the first quarter and second quarter were approximately 32.7% and 54.6%. The decline in online retails sales, wholesale to online retailers, offline retail sales and wholesale to offline retailers were 17.2%, 78.0%, 66.2%, and 70.7% respectively compared to the corresponding period in 2019.

After the negative effect of US-China trade war in 2018 and 2019, the Group's businesses have further been impacted by the outbreak of coronavirus ("COVID-19") since January 2020. The nationwide lock down resulted in little appetite for purchase, difficulty in goods delivery owing to traffic controls in many parts of China, and temporarily closure of offline outlets. The sales of our products have dropped significantly and have not yet recovered. Despite the travel restrictions being relaxed since April 2020 and local consumers resumed spending, the demands for our products remained weak in the second quarter.

The Group has rescheduled original marketing plans to the second half of 2020. Further, the Group has reallocated unutilised proceeds from the share offer to marketing investments in social media events so as to capture possible rebound in the consumer market. The plans include engaging different multi-media and popular APPs for reaching out to our target millennial generation. In addition, the Group has implemented a number of cost control measures, including streamlining operations, reducing staff headcount, consolidating inventory from various channels, integrating our database for the purpose of improving operating efficiency, and closing down two self-operated stores. The Group decides to put resources together so as to focus on online marketing and sales.

The current market downturn also impacts on our joint venture business in marketing and distribution of luggage and travel accessories. As travel activities in China were largely put on hold in the first half of the year, the sales of the products were much reduced. The management expects the demand would gradually pick up in the second half of the year given COVID-19 is currently under control in China and increasing local travel. We remain positive to the industry in the medium term.

The revenue in offline retail sales dropped by 66.2% to approximately RMB0.7 million only for the six months ended 30 June 2020 compared to the same period of last year. After closing down two self-operated stores, the Group has only maintained 1 self-operated retail point. Operating costs have kept to the minimum. Similarly, wholesale to offline retailers has dropped by 70.7% to lowest as third party retailers faced the same operating difficulty under COVID-19 and withheld their orders. The number of retailer-operated retail points decreased by 41 to 46.

Being the largest revenue contributor, online retail sales reduced by RMB6.2 million to RMB29.9 million in first half of 2020. Owing to global pandemic, travelling has been limited and thus reduced demands for luggage and travel accessories. The revenue in wholesale to online retailers experienced 78.0% drop from RMB23.4 million to RMB5.1 million. The online sales from these two platforms accounted for 92.1% of total revenue. Online retail sales suffered comparatively lesser impact than the other three sale channels. As such, the Group will put more marketing resources targeted at picking up sales in online sale platforms.

In terms of revenue among the brands of ELLE and Jessie & Jane, the distribution mix is approximately 80.2% and 19.8% respectively in the first half of 2020, compared to 77.2% and 22.8% in the same period of 2019. Jessie & Jane further suffered sale reduction by RMB8.3 million.

Similar to handbag and luggage businesses, the Group's earning from offering marketing services to other retailers in online market has been affected with lower revenue. It recorded RMB1.0 million only for the period. This business segment is expected to rebound after the consumer market picks up in the fourth quarter this year.

## FUTURE PROSPECTS

The second half of 2020 remains to be challenging. Despite the COVID-19 being under controlled in China, the spread of the coronavirus continues globally. The Chinese economy and consumer spending will undoubtedly be affected. Given daily activities and economic situation are resuming close to normal, the gradual recovery in China is likely to boost our sales in the second half. The Group will be attentive and responsive to business development and consumer markets.

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased by approximately RMB31.4 million, or 45.2%, from approximately RMB69.5 million for the six months ended 30 June 2019 to approximately RMB38.1 million for the six months ended 30 June 2020. For the second quarter, the Group's revenue decreased by approximately RMB21.9 million, or 54.5%, from approximately RMB40.2 million for the three months ended 30 June 2019 to approximately RMB18.3 million for the same period in 2020.

### Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately RMB19.3 million, or 52.9%, from approximately RMB36.5 million for the six months ended 30 June 2019 to approximately RMB17.2 million for the six months ended 30 June 2020. The drop was largely attributable to the 45.2% declined sales during the period.

Our gross profit margin for the six months ended 30 June 2020 and 2019 were approximately 45.1% and 52.5% respectively. The gross profit margin witnessed 7.4% reduction as a result of lowering selling prices and promotional discount to attract consumers' purchases; and lead to decrease in gross profit in the first half of 2020 accordingly.

## Selling and Distribution Costs

The Group's selling and distribution costs decreased by approximately RMB11.5 million, or 34.8%, from approximately RMB33.0 million for the six months ended 30 June 2019 to approximately RMB21.5 million for the six months ended 30 June 2020. The decrease was mainly attributable to (i) reduced commission, (ii) lower advertising expenses, (iii) reduced shop expenses, and (iv) reduced royalty; such decrease was mainly correspond to reduction in sales for the period.

## Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by approximately RMB0.1 million, or 0.8%, from approximately RMB12.3 million for the six months ended 30 June 2019 to approximately RMB12.2 million for the six months ended 30 June 2020. Due to the severity of economic environment, the Group incurred approximately RMB2.2 million provision for credit losses of financial assets. If the effect is isolated, the expenses would be reduced by 18.7%, reflecting the Group's stringent cost control effort during the period. This reduce RMB1.5 million salaries and RMB1.0 million local travel expenses compared to the same period last year.

## Income Tax Expense

The Group's income tax expense decreased by approximately RMB1.2 million from approximately RMB1.2 million for the six months ended 30 June 2019 to nil for the six months ended 30 June 2020. The decrease was primarily attributable to loss making in business operations.

## Loss for the period

The loss for the period increased by approximately RMB10.8 million, from approximately RMB3.9 million loss for the six months ended 30 June 2019 to approximately RMB14.7 million loss for the six months ended 30 June 2020. The increase was attributable to the decline both in revenue and gross profit margin as discussed above.

## FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 30 June 2020,

- (a) the Group's total assets decreased to approximately RMB66.2 million (31 December 2019: approximately RMB86.2 million) while the total equity decreased to approximately RMB32.8 million (31 December 2019: approximately RMB47.1 million);
- (b) the Group's current assets decreased to approximately RMB58.6 million (31 December 2019: approximately RMB76.2 million) while the current liabilities decreased to approximately RMB29.4 million (31 December 2019: approximately RMB34.7 million);
- (c) the Group had approximately RMB10.5 million in cash and cash equivalents (31 December 2019: approximately RMB7.0 million), and the current ratio of the Group was approximately 2.0 times (31 December 2019: approximately 2.2 times);
- (d) the Group had bank borrowings of approximately RMB15.2 million (31 December 2019: approximately RMB12.5 million), leaving RMB41.4 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 46.2% (31 December 2019: approximately 26.5%).

The Company's shares are listed on GEM of the Stock Exchange on 16 January 2018. There has been no change in the capital structure of the Group since then. 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.

## **CONTINGENT LIABILITIES**

As at 30 June 2020, the Group did not have any significant contingent liabilities.

## **SIGNIFICANT INVESTMENTS**

As at 30 June 2020, the Group did not hold any significant investments.

## **INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS**

As at 30 June 2020, the Group did not have any assets pledged to secure general banking facilities.

## **FOREIGN CURRENCY EXPOSURE**

The Group's businesses are solely operated in China. The sales and purchases are mainly denominated in RMB and customers rarely request to settle our billing by other foreign currencies such as United States dollar or HK\$.

The Directors are of the view that the Group's operations are not subject to significant foreign exchange rate risk. Therefore, no hedging arrangements are made. However, the Group will review and monitor the relevant foreign exchange risk from time to time based on its business development requirements and may enter into foreign exchange hedging arrangements when applicable.

## HUMAN RESOURCES

As at 30 June 2020, the Group had 62 employees (30 June 2019: 95) in Hong Kong and the PRC. We believe that hiring, motivating and retaining qualified employees are crucial to our success as an online and offline distributor. Total staff costs (including Directors' emoluments) were RMB6.8 million for the six months ended 30 June 2020 (six months ended 30 June 2019: RMB8.4 million). The remuneration policies of the Group are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly.

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

The Group was listed on GEM of the Stock Exchange on 16 January 2018. The net proceeds from the Share Offer is approximately RMB31.0 million. As at 11 May 2020, the Group has unutilised proceeds of approximately RMB10.0 million. The Group anticipates increasing economic activities in China during the remaining of the year. Given better utilisation in reinforcing marketing investments in social media events to capture sales and the need for strengthening cash position, the Group has made an announcement dated 11 May 2020 regarding to the change in use of proceeds (the "**Announcement**").

As at 30 June 2020, the Group has applied RMB22.9 million proceeds in the designated areas. More marketing expenditure in social media will be spent in the second half of year to expose our brands and products in the consumer market. The Group will apply the proceeds in the same manner and proportion as disclosed in the Announcement.

The use of IPO proceeds for the six months ended 30 June 2020 are shown as below:

	Planned use of net proceeds as stated in the Prospectus RMB'000	Revised plan in use of proceeds as stated in the Announcement RMB'000	Utilised net proceeds up to 30 June 2020 RMB'000	Unutilised net proceeds as at 30 June 2020 RMB'000
1) Marketing investments in social media events	13,610	17,610	14,597	3,013
2) Design and new product category	4,185	1,211	1,211	—
3) Physical shop opening and refurbishment	6,250	4,267	4,267	—
4) IT system purchase and upgrade	6,862	1,867	1,867	—
5) Working capital	79	6,031	1,001	5,030
Total use of net proceeds	30,986	30,986	22,943	8,043

## 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; (iv) information technology system purchase and upgrade, and (v) working capital.

An analysis comparing the future plans and use of proceeds contained in the Prospectus and the Announcement with the Group's actual business progress for the period from the date of Listing to 30 June 2020 is set out below:

<b>Business strategy</b>	<b>Implementation plan</b>	<b>Actual business progress</b>
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.	<p>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.</p> <p>The proceeds as allocated in the original plan for marketing has been fully utilised as at 30 June 2019. Reallocation of RMB4.0 million unutilised proceeds as disclosed in the Announcement is to be applied by end of 2020.</p>

Business strategy	Implementation plan	Actual business progress
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 designers 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.
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.

<b>Business strategy</b>	<b>Implementation plan</b>	<b>Actual business progress</b>
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 finance and sales processing system.
	Purchasing of software licences including our product design and operating system softwares.	The Group has updated customer relationship system and e-commerce management system, as well as purchase of software licenses.
	Purchasing of servers and storage equipment.	The Group has replaced part of the computers and network equipment.
Working capital	Paying rental for office & warehouse, as well as staffs' salaries.	As at 30 June 2020, RMB1.0 million was used for rental and salaries.

## **EVENTS AFTER THE BALANCE SHEET DATE**

As from 30 June 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 30 June 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 Investment Limited ("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

<b>Name of Directors</b>	<b>Position in the associated corporations</b>	<b>Number of shares held</b>	<b>Percentage of interest in the associated corporation</b>
Mr. Yau Tai Leung Sammy	Director of Yen Sheng BVI	493,120	49.31% in Yen Sheng BVI
Mr. Yau Sonny Tai Nin	Director of Yen Sheng BVI	492,321	49.23% in Yen Sheng BVI
Mr. Yau Frederick Heng Chung	Director of Yen Sheng BVI	6,863	0.69% in Yen Sheng BVI

Save as disclosed above, as at 30 June 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 30 June 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 30 June 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 six months ended 30 June 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 (the “**Share Option Scheme**”). No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme since its adoption and there was no share option outstanding as at 30 June 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 during the six months ended 30 June 2020.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in the Prospectus, the Group did not have other future plans for material investments or capital assets as at 30 June 2020.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the six months ended 30 June 2020, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

## 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 six months ended 30 June 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 six months ended 30 June 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 (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 for the six months ended 30 June 2020 and up to the date of the report.

## INTERESTS OF COMPLIANCE ADVISER

Save for the compliance adviser agreement entered into between the Company and Kingsway Capital Limited, neither Kingsway Capital Limited nor any of its directors or 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 at as 30 June 2020.

## AUDIT COMMITTEE

The Company had established the 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 six months ended 30 June 2020.

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

Hong Kong, 11 August 2020

*As at the date of this report, the executive Directors are Mr. Yau Frederick Heng Chung (Chairman), Mr. Lee Tat Fai Brian and Mr. Yip Chun Wai; the non-executive Directors are Mr. Yau Sonny Tai Nin and Mr. Yau Tai Leung Sammy; and the independent non-executive Directors are Mr. Won Chik Kee, Mr. Feng Dai and Ms. Sit Ting Fong.*