

Sling Group Holdings Limited

森浩集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8285)

THIRD QUARTER RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

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THIRD QUARTERLY RESULTS

The Board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the nine months ended 30 September 2020, together with the comparative figures for the corresponding period in 2019 as follows:

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

For the three months and nine months ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	3	22,330	42,158	60,423	111,706
Cost of sales		<u>(12,510)</u>	<u>(20,967)</u>	<u>(33,411)</u>	<u>(53,987)</u>
Gross profit		9,820	21,191	27,012	57,719
Other revenue and income		2,228	1,766	3,499	5,210
Government grants		220	21	1,203	2,921
Selling and distribution costs		(10,723)	(19,048)	(32,257)	(52,057)
Administrative and other operating expenses		(3,044)	(6,752)	(15,233)	(19,048)
Finance costs		(90)	<u>(190)</u>	(514)	<u>(441)</u>
Loss before income tax	6	(1,589)	(3,012)	(16,290)	(5,696)
Income tax credit/(expense)	5	<u>—</u>	<u>327</u>	<u>—</u>	<u>(859)</u>
Loss for the period		<u>(1,589)</u>	<u>(2,685)</u>	<u>(16,290)</u>	<u>(6,555)</u>
Other comprehensive income					
<i>Item that may be reclassified subsequently to the profit or loss:</i>					
Exchange differences on translation of financial statements of foreign operations		<u>(754)</u>	<u>479</u>	<u>(377)</u>	<u>505</u>
Total comprehensive loss for the period		<u>(2,343)</u>	<u>(2,206)</u>	<u>(16,667)</u>	<u>(6,050)</u>

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/Profit for the period attributable to:				
Equity holders of the Company	(1,312)	(3,332)	(15,632)	(7,270)
Non-controlling interests	(277)	647	(658)	715
	<u>(1,589)</u>	<u>(2,685)</u>	<u>(16,290)</u>	<u>(6,555)</u>
Total comprehensive (loss)/income for the period attributable to:				
Equity holders of the Company	(2,066)	(2,853)	(16,009)	(6,765)
Non-controlling interests	(277)	647	(658)	715
	<u>(2,343)</u>	<u>(2,206)</u>	<u>(16,667)</u>	<u>(6,050)</u>
	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>
Loss per share attributable to equity holders of the Company				
Basic and diluted	8 (0.23)	(0.60)	(2.79)	(1.30)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2020

	Attributable to equity holders of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Put option reserve RMB'000	Translation reserve RMB'000	Retained profits/ (Accumulated losses) RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity 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	—	—	—	—	—	—	(7,270)	(7,270)	715	(6,555)
<i>Other comprehensive income:</i>										
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	505	—	505	—	505
Total comprehensive income/(loss) for the period	—	—	—	—	—	505	(7,270)	(6,765)	715	(6,050)
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	490	490
As at 30 September 2019 (Unaudited)	4,470	35,026	10,520	788	—	2,699	5,664	59,167	1,205	60,372
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	—	—	—	—	—	—	(15,632)	(15,632)	(658)	(16,290)
<i>Other comprehensive loss:</i>										
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	(377)	—	(377)	—	(377)
Total comprehensive loss for the period	—	—	—	—	—	(377)	(15,632)	(16,009)	(658)	(16,667)
As at 30 September 2020 (Unaudited)	4,470	35,026	10,520	1,195	(3,658)	2,265	(19,903)	29,915	528	30,443

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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 the Group 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 and nine months ended 30 September 2020 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the 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, 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 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 ("**HKS**"). 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		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Online retail sales	19,091	32,943	49,014	79,175
Wholesale to online retailers	1,773	4,362	6,919	17,660
Wholesale to offline retailers	1,066	3,938	3,427	11,997
Offline retail sales	400	915	1,063	2,874
	<u>22,330</u>	<u>42,158</u>	<u>60,423</u>	<u>111,706</u>

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		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers				
The PRC (excluding Hong Kong)	<u>22,330</u>	<u>42,158</u>	<u>60,423</u>	<u>111,706</u>

	As at 30 September 2020 <i>RMB'000</i> (Unaudited)	As at 31 December 2019 <i>RMB'000</i> (Audited)
Specified non-current assets		
The PRC (excluding Hong Kong)	4,344	7,228
Hong Kong	<u>465</u>	<u>716</u>
	<u><u>4,809</u></u>	<u><u>7,944</u></u>

Information about major customers

During the nine months ended 30 September 2020, none of the Group's customers contributed more than 10% of the Group's revenue (2019: Nil).

5. INCOME TAX (CREDIT)/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 September		Nine months ended 30 September	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Current tax				
The PRC EIT				
— Current period	—	—	—	859
— Over-provision in respect of prior periods	<u>—</u>	<u>(327)</u>	<u>—</u>	<u>—</u>
	<u><u>—</u></u>	<u><u>(327)</u></u>	<u><u>—</u></u>	<u><u>859</u></u>

6. LOSS BEFORE INCOME TAX

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

	Three months ended 30 September		Nine months ended 30 September	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited)
Auditor's remuneration	3	—	40	24
Cost of inventories recognised as an expense	12,417	20,785	33,132	53,442
Credit losses of financial assets, net	—	—	2,242	—
Amortisation of intangible assets	52	76	417	222
Depreciation of property, plant and equipment				
— Owned assets	138	231	633	668
— Right-of-use assets	396	826	1,387	2,447
Losses on modification of lease term, net	175	—	155	—
Staff costs (including directors' emoluments)				
— Salaries, allowances and other benefits	2,316	4,183	8,500	11,400
— Contributions to retirement benefit schemes	235	469	879	1,626
Operating lease charges on premises:				
— Short-term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	617	422	1,717	1,621
— Variable lease payments (<i>note</i>)	4	70	75	466
Exchange (gains)/losses, net	<u>(1,252)</u>	<u>745</u>	<u>(674)</u>	<u>836</u>

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 does not recommend the payment of an interim dividend for the nine months ended 30 September 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 September		Nine months ended 30 September	
	2020	2019	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss				
Loss for the period attributable to equity holders of the Company	<u>(1,312)</u>	<u>(3,332)</u>	<u>(15,632)</u>	<u>(7,270)</u>
Number of shares				
Weighted average number of ordinary shares (in thousands)	<u>560,000</u>	<u>560,000</u>	<u>560,000</u>	<u>560,000</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the nine months ended 30 September 2020, the Group recorded a revenue of RMB60.4 million, which represents the decrease of 45.9% or RMB51.3 million as compared to the same period of last year; following the decline of 32.7% in the first quarter and 54.6% in the second quarter compared to the corresponding periods. 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 decline in online retail sales, wholesale to online retailers, offline retail sales and wholesale to offline retailers were 38.1%, 60.8%, 63.0%, and 71.4% respectively compared to the corresponding period in 2019.

The negative impact by the outbreak of coronavirus (“**COVID-19**”) continues to weigh on the Group's businesses during the third quarter. The consumers' spending appetite has been slow to pick up. The sales of our women handbag products remain weak. The demands for luggage and travel accessory products have rebounded and exceeded the level in the second quarter. Local travel in China has been increasing and continues to gain momentum in the coming months.

The revenue in offline retail sales dropped by RMB1.8 million to approximately RMB1.1 million only for the nine months ended 30 September 2020 compared to the same period of last year. After closing down two self-operated stores this year, 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 RMB8.6 million 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 from 89 to 33, mainly relating to Jessie & Jane outlets, compared to the corresponding period in 2019.

Being the largest revenue contributor, online retail sales reduced by RMB30.2 million to RMB49.0 million for the nine months ended 30 September 2020 compared to the corresponding period in 2019. Owing to global pandemic, business and travelling activities has been limited and thus reduced demands for our women's handbags as well as luggage and travel accessories for all our distribution channels in the first half of 2020. The revenue in wholesale to online retailers experienced RMB10.7 million drop from RMB17.7 million to RMB6.9 million. The online sales from these two channels accounted for 92.6% of total revenue.

To tackle the current uncertain business environment, the Group has implemented a number of cost control measures to enhance operating efficiency, including streamlining operations, reducing staff headcount, consolidating inventory from various channels, integrating our database, and closing down two self-operated stores.

To improve business performance, the Group focuses on online marketing and sales. The business plans are rescheduled and re-programmed to strengthen marketing activities in the second half of 2020. Engaging different multi-media and popular APPs is effective in reaching out to our target millennial generation. As live-stream shopping has grown exponentially in China, particularly since the global epidemic, the Group has reacted quick to follow this market trend and refine its marketing spend accordingly.

Both ELLE and Jessie & Jane were able to secure spots in late September with the leading live-stream key opinion leaders (“KOLs”) who are ranked No.1 and No.2 respectively in live-stream shopping by revenue in China. We marketed and promoted on Tmall, Weibo and the Red Book for these events. The Group has opened an official Red Book account, co-operating with KOLs, and keep posting marketing materials regularly, to further exploit the business opportunities. Further, to ride on increasing popularity of use of video on social media and e-commerce platforms, the Group has increased spending to create short videos for each of our products.

In terms of revenue among the brands of ELLE and Jessie & Jane, the distribution mix is approximately 81.6% and 18.4% respectively for the nine months ended 30 September 2020, compared to 79.9% and 20.1% in the same period of 2019. Jessie & Jane further suffered sale reduction by RMB11.3 million.

Similar to handbag and luggage businesses, the Group’s earning from offering marketing services to other retailers in online market has been reduced. It recorded RMB2.3 million only for the period.

FUTURE PROSPECTS

Despite challenging environment in the first three quarters, the Group witnessed the sales are picking up in late September. The Group conducted two live-streaming promotional events through online platforms on ELLE and Jessie & Jane brands with encouraging sale results. The recognised sales would be recorded in the fourth quarter of 2020. Compared to the continuing spread of coronavirus in Europe and the US, the well under-controlled situation in China pave the way of economic recovery close to normal. The Group will be attentive and responsive to external business environment and devise appropriate marketing activities to capture the return of consumers spending.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB51.3 million, or 45.9%, from approximately RMB111.7 million for the nine months ended 30 September 2019 to approximately RMB60.4 million for the nine months ended 30 September 2020. For the third quarter, the Group's revenue decreased by approximately RMB19.8 million, or 47.0%, from approximately RMB42.2 million for the three months ended 30 September 2019 to approximately RMB22.3 million for the same period in 2020. The revenue drop among the first quarter, the second quarter and third quarter were approximately 32.7%, 54.6% and 47.0% respectively.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately RMB30.7 million, or 53.2%, from approximately RMB57.7 million for the nine months ended 30 September 2019 to approximately RMB27.0 million for the nine months ended 30 September 2020. The drop was largely attributable to reduced revenue by 45.9% and the lower gross profit margin by 7.0% in the period. The lower gross profit margin resulted from weak demands and the Group's effort to maintain market share.

Our gross profit margin for the nine months ended 30 September 2020 and 2019 were approximately 44.7% and 51.7% respectively.

Selling and Distribution Costs

The Group's selling and distribution costs decreased by approximately RMB19.8 million, or 38.0%, from approximately RMB52.1 million for the nine months ended 30 September 2019 to approximately RMB32.3 million for the nine months ended 30 September 2020. The decrease was mainly attributable to reduced (i) commission, (ii) advertising, (iii) shop expenses, and (iv) royalty expenses. The reduced commission and royalty expenses were linked to lower revenue. Due to the outbreak of COVID-19, the Group scaled down advertising and shop expenses relating to marketing.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by approximately RMB3.8 million, or 20.0%, from approximately RMB19.0 million for the nine months ended 30 September 2019 to approximately RMB15.2 million for the nine months ended 30 September 2020. The reduction was mainly attributable to the decreases in (i) salaries after headcount reduction, (ii) travel costs, (iii) administrative charge, and (iv) insurance charge. The Group has been attentive in controlling costs in all aspects.

Income Tax Expense

The Group's income tax expense decreased by approximately RMB0.9 million from approximately RMB0.9 million for the nine months ended 30 September 2019 to nil for the nine months ended 30 September 2020.

Loss for the period

Loss of approximately RMB16.3 million for the nine months ended 30 September 2020 was incurred compared to loss of approximately RMB6.6 million for the nine months ended 30 September 2019. The loss was primarily attributable to the large decline in revenue arising from the outbreak of COVID-19 and lower gross profit margin.

CONTINGENT LIABILITIES

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

SIGNIFICANT INVESTMENTS

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

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 30 September 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 September 2020, the Group had 61 employees (30 September 2019: 79) 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 RMB9.4 million for the nine months ended 30 September 2020 (nine months ended 30 September 2019: RMB13.0 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 September 2020, the Group has applied RMB26.9 million proceeds in the designated areas. More marketing expenditure in social media will be spent in the fourth quarter of 2020 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 nine months ended 30 September 2020 are shown as below:

	Revised plan in use of proceeds as stated in the Announcement RMB'000	Utilised net proceeds up to 30 September 2020 RMB'000	Unutilised net proceeds as at 30 September 2020 RMB'000
1) Marketing investments in social media events	17,610	15,957	1,653
2) Design and new product category	1,211	1,211	—
3) Physical shop opening and refurbishment	4,267	4,267	—
4) IT system purchase and upgrade	1,867	1,867	—
5) Working capital	6,031	3,581	2,450
	<u>30,986</u>	<u>26,883</u>	<u>4,103</u>
Total use of net proceeds	<u>30,986</u>	<u>26,883</u>	<u>4,103</u>

EVENTS AFTER THE BALANCE SHEET DATE

As from 30 September 2020 to the date of this announcement, save as disclosed in this announcement, the Board is not aware of any significant events requiring disclosure that have occurred.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2020 (2019: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2020 and up to the date of this announcement.

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 September 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 nine months ended 30 September 2020.

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

Hong Kong, 10 November 2020

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