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## **Sling Group Holdings Limited**

## **森浩集團股份有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8285)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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 Main Board of the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.*

*Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.*

## HIGHLIGHTS OF ANNUAL RESULTS

- The total revenue of the Group for the year ended 31 December 2020 amounted to RMB88.5 million, a decrease of 39.4% or RMB57.6 million as compared to RMB146.1 million for the year ended 31 December 2019.
- The Group incurred loss of RMB16.9 million for the year ended 31 December 2020, compared to loss of RMB16.1 million for the year ended 31 December 2019.
- Our online businesses, both online retail sales and wholesale to online retailers, recorded total sales of RMB83.1 million for the year ended 31 December 2020, representing 35.6% decline compared to the year ended 31 December 2019. Of which, online retail sales amounted to RMB74.9 million, representing 30.3% decrease compared to the year ended 31 December 2019.
- Total sales related to offline businesses, both offline retail sales and wholesale to offline retailers, dropped to RMB5.5 million for the year ended 31 December 2020, representing 68.3% reduction compared to the year ended 31 December 2019. Offline retail sales and wholesale to offline retailers dropped to RMB1.4 million and RMB4.1 million respectively.
- The board of directors (the “Board”) does not recommend the payment of a final dividend for the year ended 31 December 2020.

## RESULTS

The Board of Sling Group Holdings Limited (the “Company”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020, together with the comparative figures for the preceding year as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
<b>Revenue</b>	4	<b>88,548</b>	146,106
Cost of sales		<u>(48,038)</u>	<u>(72,344)</u>
<b>Gross profit</b>		<b>40,510</b>	73,762
Other revenue and income	5	<b>6,093</b>	6,056
Government grants	5	<b>1,393</b>	2,929
Impairment losses on trade and other receivables, net		<b>(3,419)</b>	(796)
Re-measurement of put option liability	15	<b>3,456</b>	(2)
Selling and distribution costs		<b>(45,442)</b>	(69,781)
Administrative and other operating expenses		<b>(19,272)</b>	(25,310)
Finance costs	6	<b>(637)</b>	(759)
<b>Loss before income tax</b>	7	<b>(17,318)</b>	(13,901)
Income tax credit/(expense)	8	<b>412</b>	(2,201)
<b>Loss for the year</b>		<b><u>(16,906)</u></b>	<b><u>(16,102)</u></b>
<b>Other comprehensive (expense)/income</b>			
<b>Items that may be reclassified subsequently to the profit or loss:</b>			
Exchange differences on translation of financial statements of foreign operations		<b>(1,410)</b>	448
<b>Total comprehensive loss for the year</b>		<b><u>(18,316)</u></b>	<b><u>(15,654)</u></b>
<b>(Loss)/Profit for the year attributable to:</b>			
Equity holders of the Company		<b>(16,010)</b>	(16,798)
Non-controlling interests		<b>(896)</b>	696
		<b><u>(16,906)</u></b>	<b><u>(16,102)</u></b>
<b>Total comprehensive (loss)/income for the year attributable to:</b>			
Equity holders of the Company		<b>(17,420)</b>	(16,350)
Non-controlling interests		<b>(896)</b>	696
		<b><u>(18,316)</u></b>	<b><u>(15,654)</u></b>
		<b>RMB cents</b>	<b>RMB cents</b>
<b>Loss per share attributable to equity holders of the Company</b>			
Basic and diluted	10	<b><u>(2.86)</u></b>	<b><u>(3.00)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<b>2020</b> <b>RMB'000</b>	2019 <i>RMB'000</i>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,143</b>	4,703
Intangible assets		<b>2,774</b>	3,241
Financial asset at fair value through profit or loss (“FVTPL”)		<b>592</b>	465
Deferred tax assets		<b>1,940</b>	1,524
		<b>6,449</b>	9,933
<b>Current assets</b>			
Inventories		<b>30,182</b>	38,854
Trade and other receivables	<i>11</i>	<b>13,554</b>	25,449
Amounts due from Controlling Shareholders		<b>8</b>	9
Income tax recoverable		<b>230</b>	943
Restricted cash	<i>12</i>	<b>54</b>	4,006
Cash and bank balances	<i>12</i>	<b>13,845</b>	6,969
		<b>57,873</b>	76,230
<b>Current liabilities</b>			
Trade and other payables	<i>13</i>	<b>17,885</b>	19,022
Contract liabilities		<b>359</b>	585
Bank borrowings	<i>14</i>	<b>16,516</b>	12,541
Amount due to the then immediate holding company		<b>13</b>	14
Lease liabilities		<b>251</b>	2,566
		<b>35,024</b>	34,728
<b>Net current assets</b>		<b>22,849</b>	41,502
<b>Total assets less current liabilities</b>		<b>29,298</b>	51,435

	<i>Notes</i>	<b>2020</b> <b><i>RMB'000</i></b>	2019 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Lease liabilities		—	524
Put option liability	<i>15</i>	<u>504</u>	<u>3,801</u>
		<u>504</u>	<u>4,325</u>
<b>Net assets</b>		<u><b>28,794</b></u>	<u>47,110</u>
<b>EQUITY</b>			
Share capital	<i>16</i>	<b>4,470</b>	4,470
Reserves	<i>17</i>	<u>24,034</u>	<u>41,454</u>
<b>Equity attributable to equity holders of the Company</b>		<b>28,504</b>	45,924
<b>Non-controlling interests</b>		<u>290</u>	<u>1,186</u>
<b>Total equity</b>		<u><b>28,794</b></u>	<u>47,110</u>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended 31 December 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 is principally engaged in the design and sale of women's handbags, small leather goods, luggage and travel goods.

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

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

### **2. BASIS OF PREPARATION**

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

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

The accounting policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new and amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

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

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

### 3. ADOPTION OF NEW AND AMENDED HKFRSs

#### 3.1 New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

In addition, on 1 January 2020, the Group has early applied the Amendments to HKFRS 16 "Covid-19-Related Rent Concessions" which will be effective for the Group for financial year beginning on or after 1 June 2020.

Other than as noted below, the adoption of these 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.

#### ***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).

***Amendments to HKFRS 16 “Covid-19-Related Rent Concessions”***

Amendments to HKFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendments provide a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 (“COVID-19-Related Rent Concessions”) are lease modification and, instead, account for those rent concessions as if they were not lease modifications.

The practical expedient is only applicable to COVID-19-Related Rent Concessions and only if all of the following conditions are met:

- a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) there is no substantive change to other terms and conditions of the lease.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-Related Rent Concessions granted to the Group during the year.

Consequently, rent concessions received have been recognised in “Other revenue and income” in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.



### 3.2 Issued but not yet effective HKFRSs

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

HKFRS 17	Insurance Contracts and related amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>5</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020 <sup>2</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective date not yet determined

<sup>5</sup> Effective for business combinations/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

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

## 4. REVENUE AND SEGMENT REPORTING

### 4.1 Revenue

The Group's principal activities are disclosed in note 1 to the consolidated financial statements. Revenue represents the fair value of consideration received and receivable from the sale of women's handbags, small leather goods, luggage and travel goods by the Group to external customers.

#### *Disaggregation of revenue from contracts with customers*

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

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Online retail sales	<b>74,935</b>	107,578
Wholesale to online retailers	<b>8,182</b>	21,403
Wholesale to offline retailers	<b>4,065</b>	13,608
Offline retail sales	<b>1,366</b>	3,517
	<b><u>88,548</u></b>	<u>146,106</u>

The decrease in revenue from retail and wholesale operation in current year was due to the outbreak of Coronavirus Disease 2019 ("COVID-19") has changed the landscape of business environment. Travel restriction measures were implemented; store and office were closed temporarily; delivery of goods were limited; and customer sentiment turned negative. The resumption of business activities in the local economy of China was slow and gradual in second half year. With more stimulus government policies put forward, the economies and customer confidence in China started to pick up in end of the current year and the operation of the Group has been recovering.

## 4.2 Segment information

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

### *Geographical information*

The following tables set out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment (including right-of-use assets) and intangible assets ("specified non-current assets"). The geographical location of customers is based on the location at which the goods are delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment (including right-of-use assets), and the location of the operations to which they are allocated, in the case of intangible assets.

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Revenue from external customers</b>		
The PRC (excluding Hong Kong)	<u>88,548</u>	<u>146,106</u>
<b>Specified non-current assets</b>		
The PRC (excluding Hong Kong)	<b>3,815</b>	7,228
Hong Kong	<u>102</u>	<u>716</u>
	<u><b>3,917</b></u>	<u>7,944</u>

### *Information about major customers*

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

## 5. OTHER REVENUE AND INCOME AND GOVERNMENT GRANTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Other revenue</b>		
Service income	2,768	5,484
Bank interest income	133	185
Dividend and interest income from financial asset at FVTPL	4	5
	<u>2,905</u>	<u>5,674</u>
<b>Other income</b>		
Exchange gain, net	2,358	—
Fair value gain on financial asset at FVTPL	159	131
COVID-19-related rent concessions received ( <i>note i</i> )	447	—
Sundry income	224	251
	<u>3,188</u>	<u>382</u>
	<u>6,093</u>	<u>6,056</u>
<b>Government grants (<i>note (ii)</i>)</b>	<u>1,393</u>	<u>2,929</u>

*Notes:*

- (i) As disclosed in note 3.1, the Group has early adopted Amendments to HKFRS 16 “Covid-19-Related Rent Concessions” and applies the practical expedients introduced by the amendments to all eligible rent concessions received by the Group during the year. During the year ended 31 December 2020, the rent concessions received by the Group are in the form of a discount on fixed payments and rent free during the period of severe social distancing and travel restriction measures introduced to prevent the spread of COVID-19.
- (ii) Government grants represented unconditional subsidies received from local governmental authorities by several subsidiaries of the Group.

## 6. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest charges on bank borrowings	398	373
Finance charges on lease liabilities	80	245
Imputed interest on put option liability	159	141
	<u>637</u>	<u>759</u>

## 7. LOSS BEFORE INCOME TAX

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Auditor's remuneration	613	651
Cost of inventories recognised as an expense	47,705	71,591
Write-down of inventories to net realisable value	1,168	275
Fair value gain on financial asset at FVTPL	(159)	(131)
Impairment losses on trade and other receivables, net	3,419	796
Amortisation of intangible assets	230	298
Losses on written-off of intangible assets	237	—
Depreciation of property, plant and equipment		
— Owned assets	688	983
— Right-of-use assets	2,108	3,184
Losses on written-off of property, plant and equipment	91	10
(Gain)/Loss on modification of lease term	(32)	8
Staff costs (including directors' emoluments)		
— Salaries, allowances and other benefits	10,752	14,998
— Contributions to retirement benefit schemes	1,360	3,041
Operating lease charges on premises		
— Short-term leases and leases with lease term shorter than 12 months	540	2,773
— Variable lease payments ( <i>note</i> )	—	366
Exchange (gains)/losses, net	<u>(2,358)</u>	<u>728</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.

## 8. INCOME TAX (CREDIT)/EXPENSE

For the year ended 31 December 2020, Hong Kong Profits Tax has not been provided in the consolidated financial statements as no assessable profits subject to Hong Kong Profits Tax.

For the year ended 31 December 2019, Hong Kong Profits Tax of Sling Incorporated Limited (“Sling InCorp”), a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of assessable profits of qualifying entities will be taxed at 8.25%, and the assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%.

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 year arising from the PRC.

From 1 January 2019 to 31 December 2021, under relevant PRC EIT Law, for PRC enterprises that qualifies for small enterprises, annual taxable income below RMB3 million and thin-profit enterprises with an annual taxable income of RMB1 million or less are applicable to the effective rate of 5%. Where their annual taxable income exceeds RMB1 million but does not exceed RMB3 million, the RMB1 million portion will be subject to an effective rate of 5%, whereas the excess portion will be subject to the effective rate of 10%.

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Current tax</b>		
Hong Kong Profits Tax		
— Current year	—	111
<b>PRC EIT</b>		
— Current year	<u>4</u>	<u>470</u>
	4	581
<b>Deferred tax</b>		
— (Credited)/Charged to the profit or loss	<u>(416)</u>	<u>1,620</u>
Income tax (credit)/expense	<u><u>(412)</u></u>	<u><u>2,201</u></u>
Reconciliation between income tax (credit)/expense and accounting loss at applicable tax rates:		
	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Loss before income tax	<u>(17,318)</u>	<u>(13,901)</u>
Tax on loss before income tax, calculated at the rates applicable in the tax jurisdiction concerned	<b>(4,196)</b>	(3,738)
Tax effect on:		
— Non-deductible expenses	<b>458</b>	419
— Non-taxable income	<b>(1,300)</b>	(23)
— Tax losses not recognised	<b>4,617</b>	5,558
— Recognition of deductible temporary differences previously not recognised	<b>9</b>	11
— Unrecognised tax losses utilised	<u>—</u>	<u>(26)</u>
Income tax (credit)/expense	<u><u>(412)</u></u>	<u><u>2,201</u></u>

## 9. DIVIDENDS

No dividend was declared or paid by the Group during the year ended 31 December 2020 to its equity holders (2019: Nil).

## 10. LOSS PER SHARE

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

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Loss</b>		
Loss for the year attributable to equity holders of the Company	<u>16,010</u>	<u>16,798</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares (in thousands)	<u>560,000</u>	<u>560,000</u>

The weighted average number of ordinary shares used to calculate the basic loss per share for the years ended 31 December 2020 and 2019 represents 560,000,000 ordinary shares in issue throughout the years.

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

## 11. TRADE AND OTHER RECEIVABLES

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Trade receivables</b>	<b>10,917</b>	18,043
Less: expected credit losses (“ECL”) allowance	<u>(3,209)</u>	<u>(2,180)</u>
	<u>7,708</u>	<u>15,863</u>
<b>Prepayments and other receivables</b>		
Prepaid expenses	<b>2,662</b>	6,188
Rental and other deposits	<b>1,843</b>	2,814
Other receivables	<b>1,788</b>	821
Less: ECL allowance	<u>(447)</u>	<u>(237)</u>
	<u>5,846</u>	<u>9,586</u>
	<u>13,554</u>	<u>25,449</u>

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

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
0–90 days	5,683	9,429
91–180 days	10	2,241
181–365 days	73	2,850
Over 365 days	<u>1,942</u>	<u>1,343</u>
	<u><b>7,708</b></u>	<u>15,863</u>

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

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
As at 1 January	2,180	1,384
Amount written off during the year	(2,180)	—
ECL recognised during the year	3,209	1,277
ECL reversed during the year	<u>—</u>	<u>(481)</u>
As at 31 December	<u><b>3,209</b></u>	<u>2,180</u>

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

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
As at 1 January	237	237
ECL recognised during the year	300	—
ECL reversed during the year	<u>(90)</u>	<u>—</u>
As at 31 December	<u><b>447</b></u>	<u>237</u>



## 12. CASH AND CASH EQUIVALENTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cash and bank balances	<u>13,845</u>	<u>6,969</u>
Restricted cash	<u>54</u>	<u>4,006</u>
Cash and cash equivalents presented in the consolidated statement of financial position	13,899	10,975
Less: restricted cash	<u>(54)</u>	<u>(4,006)</u>
Cash and cash equivalents presented in the consolidated statement of cash flows	<u><u>13,845</u></u>	<u><u>6,969</u></u>

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

As at 31 December 2020, no restricted cash were pledged to a bank for securing bills payable (2019: RMB3,926,000) (note 13).

Included in cash and cash equivalents of the Group of approximately RMB13,062,000 (2019: RMB8,834,000) as at 31 December 2020 are the balances denominated in RMB placed with banks and financial institutions in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

## 13. TRADE AND OTHER PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Trade payables</b>	11,648	5,100
<b>Bills payable</b>	<u>—</u>	<u>3,926</u>
	<u>11,648</u>	<u>9,026</u>
<b>Accrued charges and other payables</b>		
Accrued expenses	3,779	8,053
Deposits received	1,220	1,413
Other tax payables	1,198	443
Other payables	<u>40</u>	<u>87</u>
	<u>6,237</u>	<u>9,996</u>
	<u><u>17,885</u></u>	<u><u>19,022</u></u>

As at 31 December 2020, no bills payable is secured by restricted cash (2019: RMB3,926,000) (note 12).

As at 31 December 2020 and 2019, accrued expenses mainly represents accrued commission and accrued shop management fee.

The Group was granted by its suppliers credit periods ranging from 0 to 90 days (2019: 0 to 90 days). Based on the date of goods received, the ageing analysis of trade payables and bills payable is as follows:

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
0–90 days	<b>11,283</b>	7,882
91–180 days	<b>7</b>	1,000
181–365 days	<b>—</b>	32
Over 365 days	<b>358</b>	112
	<b>11,648</b>	9,026

#### 14. BANK BORROWINGS

	<b>2020</b> <i>RMB'000</i>	2019 <i>RMB'000</i>
Unsecured bank borrowings, wholly repayable within one year or on demand	<b>16,516</b>	12,541

As at 31 December 2020, unsecured bank borrowings of RMB14,818,000 (2019: RMB12,541,000) are repayable within one year or on demand. The bank borrowings bear variable interest rate at 1.75% (2019: 1.75%) per annum over HIBOR.

As at 31 December 2020, unsecured bank borrowings of RMB1,698,000 (2019: Nil) are repayable within five years or on demand and bear variable interest rate at 2.5% (2019: Nil) per annum below the Hong Kong Dollars Prime Rate. The bank borrowings were guaranteed by the personal guarantees given by Mr. Sammy Yau and Mr. Sonny Yau, the non-executive directors of the Group and HKMC Insurance Limited.

## 15. PUT OPTION LIABILITY

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Sencai Maoyi</b>		
As at 1 January	3,801	—
Initial recognition	—	3,658
Imputed interest	159	141
Re-measurement	<u>(3,456)</u>	<u>2</u>
As at 31 December	<u><u>504</u></u>	<u><u>3,801</u></u>

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

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

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

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

The decreased in put option liability due to the Group has considered the latest situation of COVID-19 and its impact on the business operation in Sencai Maoyi in re-measuring the result of the change in the expected performance as at 31 December 2020.

## 16. SHARE CAPITAL

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

## 17. RESERVES

The amounts of the Group's reserves and the movements during the years ended 31 December 2020 and 2019 are presented in the consolidated statement of changes in equity.

### Share premium

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

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

### Capital reserve

Capital reserve represents the difference between the nominal values of the share capital of a subsidiary acquired by the Group and the nominal value of the Company's shares issued for the acquisition under the reorganisation in connection with the listing of the Company's shares on the Stock Exchange.

### Statutory reserve

In accordance with the Company Law of the PRC, each of the subsidiaries of the Company that was registered in the PRC is required to appropriate 10% of the annual statutory profit after income tax (after offsetting any prior years' losses), determined in accordance with relevant accounting principles and financial regulations applicable to the enterprises established in the PRC (the "PRC GAAP"), to the statutory reserve until the balance of the reserve funds reaches 50% of the entity's registered capital.

### **Put option reserve**

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

### **18. EVENTS AFTER THE REPORTING DATE**

As a result of the continuous outbreak of COVID-19, a series of precautionary and control measures have been and continued to be implemented across the regions in which the Group has business operations. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group.

### **19. COMPARATIVES**

Certain comparative figures in the statement of profit or loss and other comprehensive income have been reclassified to align with current year's presentation.

## **BUSINESS REVIEW**

During 2020, the Group has undergone an unprecedented business year. The outbreak of Coronavirus Disease 2019 (“COVID-19”) has changed the landscape of business environment, of which business was totally interrupted during the first quarter of the year. Travel restriction measures were implemented; store and office were closed temporarily; delivery of goods were limited; and consumer sentiment turned negative. The resumption of business activities in the local economy of China was slow and gradual in the second and third quarters. The weak consumer spending persisted for the period. With more stimulus government policies put forward, the economies and consumer confidence in China started to pick up in the fourth quarter. The Group has seen signs of recovery with increasing purchases on our products. The revenue for the year as a whole declined by RMB57.6 million from RMB146.1 million to RMB88.5 million. The outbreak of COVID-19 negatively impacted our business in all dimensions including products, brands and distribution channels.

The business of distributing luggage and travel accessories were hardly hit during the first two quarters of 2020. The COVID-19 outbreak in China and then transmission globally have restricted local and overseas travelling. This business segment has somewhat recovered since the third quarter as local travelling in China has resumed. The deterioration of the virus spreading worldwide on the other hand become a pandemic. This further limited cross-border travelling. The revenue of distributing luggage and travel accessories dropped from RMB45.8 million to RMB29.6 million after impressive growth in 2019.

The business of marketing and distributing women’s handbag also encountered major setback. The spending sentiment was low owing to uncertainty hangover on job security and local economic environment. The sales on this segment was stagnant at low level throughout the first three quarters. As the economies in China were more stabilized in the fourth quarter, the Group has focused on online marketing strategy and pushed forward e-commerce marketing programs with encouraging result. In addition, the Group also started to receive promising feedback on live streaming sales. As a result, the Group achieved over 50% revenue growth in the fourth quarter compared to each of the previous three quarters. The sale results were noticeably improved. For 2020 as a whole, the revenue on woman’s handbag decreased by RMB41.5 million to RMB58.9 million, compared to RMB100.4 million in 2019.

In terms of revenue among the brands, ELLE and Jessie & Jane suffered the decline by 39.9% and 37.2% respectively. The sale distribution was approximately 80.1% and 19.9% in 2020, compared to 80.8% and 19.2% in 2019.

For the sale performance among the four distribution channels, the impact was great. The online retail sales suffered the least among all with approximately 30.3% decline in revenue, taking into account of both women's handbag and luggage and travel accessories. The Group's proactive online marketing and channel management in e-commerce platforms resulted in improved business performance in the fourth quarter. This channel accounted for 84.7% of total revenue in 2020. On the other hand, revenue in wholesale to online retailers dropped by a larger extent of 61.8%. Faced with uncertain outlook and limited resources for online marketing, the third party online retailers were hesitant about the development of consumer market and thus were unwilling to place orders to us. Given cost effectiveness and fast growing in online market, diversifying into other B2C e-commerce platforms is still one of our long term goal. The Group will continue to work on new and existing partnerships.

The revenue in offline retail sales dropped by 61.2% to RMB1.4 million in 2020. It accounted for 1.5% of total revenue. To further contain operating costs and retain operating cash for target online business, the Group scaled down to 1 self-operated Jessie & Jane flagship store, serving as showcase for new product display and customer product experience. Similar to offline retailer sales, wholesale to offline retailers suffered from the difficult business environment. The revenue in this segment was down greatly from RMB13.6 million to RMB4.1 million, a reduction of 70.1% compared to the same period of last year. The offline retail points operated by third party retailers decreased from 86 to 27.

To manage the difficult operating environment in 2020, the Group has taken a number of cost control measures and business adjustments. The Group closed 1 self-operated store right after the outbreak of COVID-19 in the first quarter, initiated headcount reduction, streamlined internal operations, changed e-commerce service and warehouse providers, consolidated inventory for target e-commerce, and reshuffled IPO use of proceeds for sales and marketing activities. All these serve to contain operating loss, enhance operating efficiency and reserve financial resources for future business development.

The Group's business of offering marketing services in online market to other retailers has also suffered revenue decline of RMB3.8 million to RMB1.7 million only.

### **Principal Risks and Uncertainties**

Our Group faces several risk and uncertainty factors that may affect the operating results and business prospects. There may have other risks and uncertainties in addition to those listed below which are not known to the Group or which may not be material now but could turn out to be material in the future. The followings are the key risks and uncertainties identified by the Group.

### ***Market and Operational Risk***

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

Our products are sold in highly competitive markets that we compete in products development, product quality, competitive pricing; and adapt to fast changing consumer behaviour. The markets we serve are seasonal and sensitive to domestic economic conditions and events which may cause our operating results to fluctuate.

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

### ***Financial Risk***

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

### **Relationship with Key Stakeholders**

Business relationship with customers and suppliers are crucial for business success. The Company is dedicated to create fair manner while balancing interests of various stakeholders of our Group. We engage our employees, customers, business partners and community through variety of stakeholder engagement channels. The Group provides quality service and products to our customers. The Group also viewed our suppliers as strategic partner. Lastly the Group values its employees as one of its greatest strengths and assets and strive to provide equal opportunities to employees.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's total revenue decreased by RMB57.6 million to RMB88.5 million (2019: RMB146.1 million).

In term of revenue by sales channels, the Group achieved RMB74.9 million sales from online retail points (2019: RMB107.6 million), representing 84.7% of total sales (2019: 73.6%). Sales to online retailers dropped to RMB8.2 million (2019: RMB21.4 million). The wholesale to online retailers and online retail sales were lower by 61.8% and 30.3% respectively. Total sales related to these online businesses amounted to RMB83.1 million (2019: RMB129.0 million), representing 35.6% reduction compared to 2019. Online businesses amounted to 93.9% of total sales (2019: 88.3%).



Offline retail sales dropped to RMB1.4 million (2019: RMB3.5 million). The sales to offline retailers declined to RMB4.1 million (2019: RMB13.6 million). These offline businesses recorded total sales of RMB5.5 million (2019: RMB17.1 million). The offline businesses recorded 68.3% reduction. Offline businesses amounted to 6.1% of total sales (2019: 11.7%).

	2020		2019		Decrease	Drop rate
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Online Sales						
Online retail sales	<b>74,935</b>	<b>84.7%</b>	107,578	73.6%	(32,643)	(30.3%)
Wholesale to online retailers	<b>8,182</b>	<b>9.2%</b>	21,403	14.7%	(13,221)	(61.8%)
Offline Sales						
Offline retail sales	<b>1,366</b>	<b>1.5%</b>	3,517	2.4%	(2,151)	(61.2%)
Wholesale to offline retailers	<b>4,065</b>	<b>4.6%</b>	13,608	9.3%	(9,543)	(70.1%)
	<b><u>88,548</u></b>	<b><u>100.0%</u></b>	<u>146,106</u>	<u>100.0%</u>	<u>(57,558)</u>	<u>(39.4%)</u>

Revenue generated from ELLE products decreased to RMB71.0 million (2019: RMB118.1 million) with the revenue decline from both women handbag and luggage sales. Also, Jessie & Jane products witnessed sale drop. The sales of Jessie & Jane products was lowered to RMB17.6 million (2019: RMB28.0 million).

	2020		2019		Decrease	Drop rate
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
ELLE	<b>70,953</b>	<b>80.1%</b>	118,096	80.8%	(47,143)	(39.9%)
Jessie & Jane	<b>17,595</b>	<b>19.9%</b>	28,010	19.2%	(10,415)	(37.2%)
	<b><u>88,548</u></b>	<b><u>100.0%</u></b>	<u>146,106</u>	<u>100.0%</u>	<u>(57,558)</u>	<u>(39.4%)</u>

The Group's revenue decreased by approximately RMB57.6 million, or 39.4%, from approximately RMB146.1 million in 2019 to approximately RMB88.5 million in 2020. Attributable to the outbreak of COVID-19 in China, the impact was significant. Decline in revenue was witnessed in all dimensions of sale channels, products and brands. The sales relating to ELLE and Jessie & Jane witnessed 39.9% and 37.2% reduction. While the sales of luggage was down by 35.3%, the sales of women's handbag dropped by 41.3%. Among the distribution channels, online retail sales, offline retail sales, wholesale to offline retailers, and wholesale to online retailers recorded sale drop of approximately 30.3%, 61.2% 70.1% and 61.8% respectively.

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

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

The Group's gross profit decreased by approximately RMB33.3 million, or 45.1%, from approximately RMB73.8 million to approximately RMB40.5 million. The drop was largely attributable to the decline in revenue as discussed above and gross profit margin. Our gross profit margin for 2020 and 2019 were approximately 45.7% and 50.5% respectively, which represent 4.8% margin reduction. The lower gross profit margin was attributed to our decision to lower selling prices on women's handbag and luggage products. Given such difficult business environment, competitive retail prices setting is required to stir consumer spending.

## **Selling and Distribution Costs**

The Group's selling and distribution costs decreased by approximately RMB24.4 million, or 35.0%, from approximately RMB69.8 million to approximately RMB45.4 million. The decrease was mainly attributable to lesser expenses in (i) marketing expenses, (ii) sale commission, (iii) advertising, (iv) royalty, and (v) operating costs related to our directly operated offline retail stores. As the volume of sale activities reduced as discussed in revenue above, corresponding variable selling and distribution costs, in particular sale commission and royalty, dropped significantly. Facing business interruption and weak consumer demands, the Group withheld a number of marketing and advertising programs in the first half of the year to save costs. Besides these, all other costs were managed down.

## **Administrative and Other Operating Expenses**

The Group's administrative and other operating expenses decreased by approximately RMB6.0 million, or 23.7%, from approximately RMB25.3 million to approximately RMB19.3 million. The reduction was mainly attributable to reducing headcounts, thus salaries and staff costs, controlling travelling expenses and no unrealised exchange losses. During the year, RMB1.2 million stock provision were recorded.

## **FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO**

As at 31 December 2020,

- (a) the Group's total assets decreased to approximately RMB64.3 million (2019: approximately RMB86.1 million) while the total equity decreased to approximately RMB28.8 million (2019: approximately RMB47.1 million);
- (b) the Group's current assets decreased to approximately RMB57.9 million (2019: approximately RMB76.2 million) while the current liabilities increased to approximately RMB35.0 million (2019: approximately RMB34.7 million);

- (c) the Group had approximately RMB13.9 million in cash and cash equivalents (2019: approximately RMB11.0 million), and the current ratio of the Group was approximately 1.7 times (2019: approximately 2.2 times);
- (d) the Group had bank borrowings of approximately RMB16.5 million (2019: approximately RMB12.5 million), leaving RMB37.4 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 57.3% (2019: approximately 26.5%).

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

The Group is of the opinion that, after taking into consideration of the internal available financial resources and the current banking facilities, it has sufficient funds to finance internal operations and meet the financial obligations.

#### **CAPITAL EXPENDITURE**

As at 31 December 2020, the Group has no capital expenditure (2019: approximately RMB0.7 million).

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

Save as disclosed in note 15 to the consolidated financial statements, the Group had no significant investments, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2020 (2019: Nil).

#### **CONTINGENT LIABILITIES**

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

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

Save as disclosed in note 12 to the consolidated financial statements, as at 31 December 2020, the Group did not have any assets pledged to secure general banking facilities (2019: Nil).

## **PROSPECT**

The management believes the worst operating environment is behind us as the impact of COVID-19 pandemic in China has been under control and global economies are likely to bottom out in 2021 from increasing vaccination for prevention and containment of COVID-19. The Group has witnessed increasing economic activities, consumer spending, and upward pricing trend in the past few months. To prepare for the market turnaround, the Group has teamed up with key opinion leaders (“KOLs”) for more of our livestreaming sale and marketing events. Given positive feedback from the consumers, the KOLs are willing to spare additional timeslots for forthcoming months. The sale results through live streaming shopping have been encouraging. Our business plan is dedicated more resources towards further developing this sales channel. The group also seek new agency partners for marketing. We are certain both our products and brands will be increasingly exposed in the coming months.

Given our stringent cost control measures executed in 2020 and re-alignment with business partners, the marketing effort should pay off. The Group strives to improve bottom line in 2021.

## **FOREIGN CURRENCY EXPOSURE**

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

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

## **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 has anticipated 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 31 December 2020, the Group has fully applied RMB31.0 million proceeds in the designated areas. More marketing expenditure in social media to expose our brands and products was utilized and operating expenses were paid in the second half of year. The Group has applied the proceeds in the same manner and proportion as disclosed in the Announcement.

The use of IPO proceeds for the year ended 31 December 2020 are shown as below:

	<b>Revised plan in use proceeds as stated in the Announcement <i>RMB'000</i></b>	<b>Utilised net proceeds up to 31 December 2020 <i>RMB'000</i></b>	<b>Unutilised net proceeds amount as at 31 December 2020 <i>RMB'000</i></b>
(1) Marketing investment in social media events	17,610	17,610	—
(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	6,031	—
	<u>30,986</u>	<u>30,986</u>	<u>—</u>
Total use of net proceeds	<u>30,986</u>	<u>30,986</u>	<u>—</u>

## 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 31 December 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 conducted live streaming sale events with KOLs online, marketed by short video, 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 and as reallocated in the Announcement for marketing has been fully utilized as at 31 December 2020.</p>

<b>Business strategy</b>	<b>Implementation plan</b>	<b>Actual business progress</b>
Design and new product category	Recruitment of designers and engage one more overseas design consultant firm for fashion trend information for our brands.	Two additional designer have been recruited for Jessie & Jane.
	Recruitment of one additional product development manager and one additional procurement executive.	One additional product development manager, responsible for costume jewelry, has been recruited for Jessie & Jane.
Physical shop opening and refurbishment	Providing subsidy on decoration costs of approximately RMB150,000 each, representing approximately 50% of each shop's decoration costs, to our third party retailers for the opening of 8 ELLE and 31 new Jessie & Jane offline retail points under new shop opening incentive scheme.	The Group has provided subsidy to third party retailers for the opening 9 new ELLE shops and 34 new Jessie & Jane retail points, as well as renovation of 3 ELLE shops and 2 Jessie & Jane shops, under new shop opening incentive scheme.
Information technology system purchase and upgrade	Upgrading our finance system and functions such as inventory reports, etc. and sales processing system.	The Group has updated 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 license.
	Purchasing of servers and storage equipment.	The Group has replaced part of the computers and network equipment.

<b>Business strategy</b>	<b>Implementation plan</b>	<b>Actual business progress</b>
Working capital	Paying rental for office & warehouse, as well as staffs' salaries.	The proceeds as allocated in the original plan and as reallocated in the Announcement for working capital has been fully utilized as at 31 December 2020.

## **HUMAN RESOURCES**

As at 31 December 2020, the Group had 57 employees (2019: 73) in Hong Kong and the PRC. We believe that hiring, motivating and retaining qualified employees are crucial to our success as a online and offline distributor. Total staff costs (including Directors' emoluments) were RMB12.1 million for the year ended 31 December 2020 (2019: RMB18.0 million). The remuneration packages of the Group's employees include salaries, bonus, retirement benefit scheme contributions and other benefits. The remuneration policies of the Group, including promotion, bonus, salary increment and other benefits, are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly. The dedication and hard work of the Group's staff during the year ended 31 December 2020 are generally appreciated and recognized.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

## **ANNUAL GENERAL MEETING**

The Annual General Meeting ("the AGM") of the Company will be held on 21 June 2021 (Monday). The notice of AGM, which constitutes part of the circular to shareholders, will be sent together with the 2020 Annual Report in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from 16 June 2021 to 21 June 2021, both days inclusive during which period no share transfer will be registered. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 15 June 2021.



## **CORPORATE GOVERNANCE CODE**

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

## **SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct ("Code of Conduct") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the year ended 31 December 2020 and up to the date of this announcement.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

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

## **AUDIT COMMITTEE**

The Company established the Audit Committee on 15 December 2017 with written terms of reference. The full terms of reference setting out details of duties of the Audit Committee is available on the websites of the Stock Exchange and the Company. The Audit Committee comprises three independent non-executive Directors, namely Mr. Won Chik Kee, Mr. Feng Dai and Ms. Sit Ting Fong. Mr. Won Chik Kee is the Chairman of the Audit Committee.

The primary duties of the Audit Committee are to assist the Board by providing an independent view of the effectiveness of the Company's internal control and risk management system, overseeing the balance, transparency and integrity of the Company's financial statements and the application of financial reporting principles, reviewing the relationship with the external auditor and its independence assessment and the adequacy of resources, qualifications and experience of the Company's accounting staff, their training programs and budget.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2020.

## **SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED**

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on the preliminary announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This results announcement is published on the website of the Stock Exchange at [www.hkgem.com](http://www.hkgem.com) and on the Company's website at [www.sling-inc.com.hk](http://www.sling-inc.com.hk). The 2020 Annual Report of the Company will be dispatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 24 March 2021

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

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

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