

Sling Group Holdings Limited

森浩集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8285)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2022

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*This announcement, for which the directors (the “**Directors**”) of Sling Group Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.*

FIRST 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 three months ended 31 March 2022, together with the comparative figures for the corresponding period in 2021 as follows:

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

For the three months ended 31 March 2022

		Three months ended	
		31 March	
		2022	2021
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	21,165	27,163
Cost of sales		<u>(9,431)</u>	<u>(12,878)</u>
Gross profit		11,734	14,285
Other revenue and income		917	1,159
Government grants		—	522
Selling and distribution costs		(12,762)	(13,845)
Administrative and other operating expenses		(3,403)	(3,460)
Finance costs		<u>(109)</u>	<u>(103)</u>
Loss before income tax	6	(3,623)	(1,442)
Income tax expense	5	<u>—</u>	<u>(8)</u>
Loss for the period		<u>(3,623)</u>	<u>(1,450)</u>
Other comprehensive (expense)/income			
<i>Items that may be reclassified subsequently to the profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		<u>(124)</u>	<u>69</u>
Total comprehensive loss for the period		<u>(3,747)</u>	<u>(1,381)</u>

	Three months ended	
	31 March	
	2022	2021
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss for the period attributable to:		
Equity holders of the Company	(3,287)	(1,030)
Non-controlling interests	<u>(336)</u>	<u>(420)</u>
	<u>(3,623)</u>	<u>(1,450)</u>
Total comprehensive loss for the period attributable to:		
Equity holders of the Company	(3,411)	(961)
Non-controlling interests	<u>(336)</u>	<u>(420)</u>
	<u>(3,747)</u>	<u>(1,381)</u>
	<i>RMB cents</i>	<i>RMB cents</i>
Loss per share attributable to equity holders of the Company		
Basic and diluted	8 <u>(0.59)</u>	<u>(0.18)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2022

	Attributable to equity holders of the Company							Sub-total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve	Put option reserve	Translation reserve	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021 (Audited)	4,470	35,026	10,520	1,195	(3,658)	1,232	(20,281)	28,504	290	28,794
Loss for the period	—	—	—	—	—	—	(1,030)	(1,030)	(420)	(1,450)
<i>Other comprehensive income</i>										
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	69	—	69	—	69
Total comprehensive income/(loss) for the period	—	—	—	—	—	69	(1,030)	(961)	(420)	(1,381)
As at 31 March 2021 (Unaudited)	<u>4,470</u>	<u>35,026</u>	<u>10,520</u>	<u>1,195</u>	<u>(3,658)</u>	<u>1,301</u>	<u>(21,311)</u>	<u>27,543</u>	<u>(130)</u>	<u>27,413</u>
As at 1 January 2022 (Audited)	<u>4,470</u>	<u>35,026</u>	<u>10,520</u>	<u>1,195</u>	<u>(3,658)</u>	<u>622</u>	<u>(28,879)</u>	<u>19,296</u>	<u>(1,223)</u>	<u>18,073</u>
Loss for the period	—	—	—	—	—	—	(3,287)	(3,287)	(336)	(3,623)
<i>Other comprehensive expense</i>										
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	(124)	—	(124)	—	(124)
Total comprehensive loss for the period	—	—	—	—	—	(124)	(3,287)	(3,411)	(336)	(3,747)
As at 31 March 2022 (Unaudited)	<u>4,470</u>	<u>35,026</u>	<u>10,520</u>	<u>1,195</u>	<u>(3,658)</u>	<u>498</u>	<u>(32,166)</u>	<u>15,885</u>	<u>(1,559)</u>	<u>14,326</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2022

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 and controlled by Mr. Yau Tai Leung Sammy, Mr. Yau Sonny Tai Nin, Mr. Yau Frederick Heng Chung, Mr. Yau Nicholas Heng Wah and Ms. Hiang Siu Wei Cecilia.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the accounting principles generally accepted in Hong Kong.

The unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of 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 2021. The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted and early adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2021.

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

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

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for financial asset at fair value through profit or loss which is stated at fair value.

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

The preparation of the unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the accounting policies of the Group. The accounting estimates and assumptions used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2021.

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

3. REVENUE

Revenue represents the fair value of consideration received and receivable from sale of women’s handbags, small leather goods, luggage and travel goods by the Group to external customers.

Disaggregation of revenue from contracts with customers

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

	Three months ended	
	31 March	
	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Online retail sales	19,645	24,923
Wholesale to online retailers	1,275	1,083
Wholesale to offline retailers	207	763
Offline retail sales	38	394
	21,165	27,163

4. SEGMENT INFORMATION

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

Geographical information

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

	Three months ended 31 March	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from external customers		
The PRC (excluding Hong Kong)	<u>21,165</u>	<u>27,163</u>
	As at 31 March 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
Specified non-current assets		
The PRC (excluding Hong Kong)	3,541	3,778
Hong Kong	<u>12</u>	<u>29</u>
	<u>3,553</u>	<u>3,807</u>

Information about major customers

During the three months ended 31 March 2022, none of the Group's customers contributed more than 10% of the Group's revenue (2021: Nil).

5. INCOME TAX EXPENSE

PRC Enterprise Income Tax (the “**PRC EIT**”) in respect of the Group’s operations in the PRC has been calculated at the rate of 25% (2021: 25%) on the estimated assessable profits for the period arising from the PRC.

	Three months ended	
	31 March	
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Current tax		
The PRC EIT		
— Under-provision in respect of prior years	—	8
	<u> </u>	<u> </u>

6. LOSS BEFORE INCOME TAX

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

	Three months ended	
	31 March	
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	9,294	12,753
Write-down of inventories to net realisable value	336	—
Amortisation of intangible assets	51	51
Depreciation of property, plant and equipment		
— Owned assets	97	111
— Right-of-use assets	106	241
Staff costs (including directors’ emoluments)		
— Salaries, allowances and other benefits	2,407	2,102
— Contributions to retirement benefit schemes (<i>note a</i>)	326	322
Operating lease charges on premises		
— Short-term leases and leases with lease term shorter than 12 months	658	653
— Variable lease payments (<i>note b</i>)	—	1
Exchange (gain)/loss, net	(249)	141
	<u> </u>	<u> </u>

Notes:

- (a) During the three months ended 31 March 2022 and 2021, there are no forfeited contribution be used to reduce the level of employer’s contributions. As at 31 March 2022 and 31 December 2021, there are no forfeited contribution available to reduce the contributions payable in the future years.
- (b) The variable lease payments refer to the rentals based on pre-determined percentages to realised sales less the basic rentals of the respective leases.

7. DIVIDENDS

The board of directors (the “**Board**”) does not recommend the payment of an interim dividend for the three months ended 31 March 2022 (2021: Nil).

8. LOSS PER SHARE

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

	Three months ended 31 March	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to equity holders of the Company	<u>3,287</u>	<u>1,030</u>
Number of shares		
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 three months ended 31 March 2022 and 2021 represents 560,000,000 ordinary shares in issue throughout the periods.

There were no dilutive potential ordinary shares during the three months ended 31 March 2022 and 2021 and therefore, diluted loss per share equals to basic loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the three months ended 31 March 2022, the Group recorded a revenue of approximately RMB21.2 million which represents a decrease by 22.1% as compared to the same period of last year. Except for the slight increase of RMB192,000 in wholesale to online retailers, the other three sale channels, including online retail sales, offline retail sales, and wholesale to offline retailers, encountered a reduction of approximately 21.2%, 90.4% and 72.9% respectively. Online retail sales was still the largest sale channel, accounting for 92.8% of total revenue.

The consumer market remains sluggish since the fourth quarter of 2021. Together with fewer marketing programs under key opinion leaders (“KOLs”) and the outbreak of coronavirus (“COVID-19”) in March 2022 in a number of major cities in China, the revenue in the first quarter of 2022 has reduced. The sentiment for consumption became conservative and the consumers in China have reserved their purchasing. Given the latest business development, the Group had deferred some of the live streaming online marketing programs with KOLs and our collaboration with new B2C e-commerce platforms.

Not only the marketing and distribution of women’s handbags, but also the marketing and distribution of luggage and travel accessories faced continuing difficult operating environment in the first quarter of 2022. The revenue of luggage and travel accessories reduced by RMB1.2 million from RMB5.2 million to RMB4.0 million. The activities of both local travel within China and international travel remained at low level owing to various travel restrictions.

FUTURE PROSPECTS

The unexpected outbreak of COVID-19 in the first quarter of 2022 has interrupted business plans and operations. It is presently uncertain whether the COVID-19 might spread to other major cities in China and trigger further lock down, which could significantly impact on consumers’ sentiment. The Group temporarily defers our business plans and marketing programs to reserve our resources. The Group is cautiously optimistic in the second half of 2022 if the spreading of the COVID-19 is put under control and business operations would resume shortly.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB6.0 million, or 22.1%, from approximately RMB27.2 million for the three months ended 31 March 2021 to approximately RMB21.2 million for the three months ended 31 March 2022.

Being the largest revenue contributor, online retail sales decreased by 21.2%, or RMB5.3 million, to RMB19.6 million. On the other hand, wholesale to online retailers increased by RMB192,000 to RMB1.3 million. These online sales accounted for 98.8% of total revenue. While offline retail sales dropped by RMB356,000, wholesales to offline retailers dropped by RMB556,000. The offline sales as a whole were further down to RMB245,000, representing for 1.2% of total revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately RMB2.6 million, or 18.2%, from approximately RMB14.3 million for the three months ended 31 March 2021 to approximately RMB11.7 million for the three months ended 31 March 2022. The Group's gross profit margins for the three months ended 31 March 2021 and 31 March 2022 were approximately 52.6% and 55.4% respectively.

The drop in gross profit was largely attributable to lower revenue. In spite of further gross profit margin improvement arising from upward pricing adjustment, the reduced sales were accountable to the decline in gross profit.

Selling and Distribution Costs

The Group's selling and distribution costs reduced by approximately RMB1.0 million, or 7.2%, from approximately RMB13.8 million for the three months ended 31 March 2021 to approximately RMB12.8 million for the three months ended 31 March 2022. The major cost reduction were online platform marketing expenses and advertising.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses were slightly lowered by RMB100,000, or 2.9%, from approximately RMB3.5 million for the three months ended 31 March 2021 to approximately RMB3.4 million for the three months ended 31 March 2022 as the write-down of inventories to net realisable value at RMB336,000.

Income Tax Expense

For the three months ended 31 March 2022, the Group had no income tax expense as it incurred operating loss, compared to the income tax expense of approximately RMB8,000 related to the under-provision for the three months ended 31 March 2021.

Loss for the Period

The Group incurred loss of approximately RMB3.6 million for the three months ended 31 March 2022, compared to approximately RMB1.5 million loss for the three months ended 31 March 2021. The higher loss was primarily attributable to reduced revenue.

CONTINGENT LIABILITIES

As at 31 March 2022, the Group had no material contingent liabilities or off-balance sheet obligation (2021: Nil).

SIGNIFICANT INVESTMENTS

As at 31 March 2022, the Group did not hold any significant investments.

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 31 March 2022, 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 Renminbi and customers rarely request to settle our billing by other foreign currencies such as United States dollar or Hong Kong dollar.

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 31 March 2022, the Group had 58 employees (31 March 2021: 60) 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 RMB2.7 million for the three months ended 31 March 2022 (three months ended 31 March 2021: RMB2.4 million). The remuneration policies of the Group are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly.

EVENTS AFTER REPORTING DATE

As from 31 March 2022 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 three months ended 31 March 2022 (2021: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities throughout three months ended 31 March 2022.

CORPORATE GOVERNANCE

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. During the three months ended 31 March 2022, the Company has complied with the applicable code provisions of the CG Code.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

None of the Directors and controlling shareholders of the Company or any of their respective close associates as defined in the GEM Listing Rules has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or had any other conflict of interests with the Group during the three months ended 31 March 2022.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (“**Code of Conduct**”) regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct for the three months ended 31 March 2022.

AUDIT COMMITTEE

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

The Audit Committee comprises three members, all being Independent Non-executive Directors, namely Mr. Won Chik Kee (chairman of the Audit Committee), Mr. Feng Dai, and Ms. Sit Ting Fong. It has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing and financial reporting matters, including review of the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022.

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

Hong Kong, 13 May 2022

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.