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 Report 2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yau Frederick Heng Chung *(Chairman)*
Mr. Lee Tat Fai Brian *(Chief Executive Officer)*
Mr. Yip Chun Wai *(Chief Financial Officer)*

Non-executive Directors

Mr. Yau Sonny Tai Nin
Mr. Yau Tai Leung Sammy

Independent Non-executive Directors

Mr. Tong Raymond Kwok Kong
Mr. Won Chik Kee
Mr. Feng Dai

AUDIT COMMITTEE

Mr. Won Chik Kee *(Chairman)*
Mr. Tong Raymond Kwok Kong
Mr. Feng Dai

REMUNERATION COMMITTEE

Mr. Feng Dai *(Chairman)*
Mr. Tong Raymond Kwok Kong
Mr. Won Chik Kee

NOMINATION COMMITTEE

Mr. Tong Raymond Kwok Kong *(Chairman)*
Mr. Won Chik Kee
Mr. Feng Dai

COMPLIANCE OFFICER

Mr. Yau Frederick Heng Chung

AUTHORISED REPRESENTATIVES

Mr. Yau Frederick Heng Chung
Ms. Leung Sau Fong

AUDITORS

Grant Thornton Hong Kong Limited

Level 12
28 Hennessy Road
Wanchai
Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1, 21st Floor, Yen Sheng Centre
64 Hoi Yuen Road
Kwun Tong
Kowloon
Hong Kong

Corporate Information

COMPLIANCE ADVISER

Kingsway Capital Limited

7/F, Tower 1
Lippo Centre
89 Queensway
Hong Kong

COMPANY SECRETARY

Ms. Leung Sau Fong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited

Royal Bank House — 3rd Floor
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

24/F, Bank of China Tower
1 Garden Road
Hong Kong

Standard Chartered Bank (Hong Kong) Limited

3/F, Standard Chartered Bank Building
4–4A Des Voeux Road Central
Hong Kong

WEBSITE

www.sling-inc.com.hk

STOCK CODE

8285

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board") of Sling Group Holdings Limited (the "Company"), I am pleased to present the first annual report of the Company and its subsidiaries (collectively called the "Group"). The successful listing of the shares of the Company on the GEM of The Stock Exchange on Hong Kong Limited on 16 January 2018 was a key milestone for the Group. The listing has not only allowed us to broaden the Group's shareholders base and strengthen its financial resources, but more importantly, it has also enhanced the Group's reputation. All of these contribute to well-positioning the Group for solid future development.

We are a women's handbag company ranked first in the online middle-end women's handbag market in the People's Republic of China (the "PRC") in terms of online retail sales revenue in 2016. We primarily design, promote and sell women's handbags, small leather goods and travel goods, including handle bags, clutch bags, wallets, coin cases, card holders and suitcases in the PRC. Our brand portfolio comprises two brands, namely (i) ELLE, our licensed brand; and (ii) Jessie & Jane, our own brand. Each brand is tailored to the preferences of consumers in varying age groups. To date, we have over 2,500,000 followers of both brands on T-mall in the PRC.

2017 has been an exciting year for the Group. The online retail sales continued to be the key performance driver for the Group. It grew by 22.6% to reach RMB141.9 million as compared to RMB115.7 million in 2016. Furthermore, our strategy of reducing the number of self-operated offline retail points while increasing the number of retailer-operated offline retail points has worked well. Though the Group's total sales only reached RMB209 million, representing a 0.7% drop compared to 2016, the selling and distribution costs have dropped by RMB8.2 million. So, at the end, the Group's profit for the year was RMB3.8 million (after incurring RMB13.2 million of listing expenses) as compared to RMB6.3 million (after incurring RMB2.0 million of listing expenses) in 2016.

Looking forward, the Group will continue to focus on growing the 2 brands, Elle and Jessie & Jane. We believe that we can expand our market share in the industry by expanding our marketing efforts across media channels and by participating in fashion shows and trade exhibitions. While we expect that online retail sales will continue to perform well for the Group, we will continue to expand our offline presence by increasing the number of retailer-operated offline retail points. This is because we believe that online and offline channels supplement each other, Internally, we will expand on our product design and development capabilities and invest in information management system as they are important building blocks to business expansions.

Last but not least, on behalf of the Board, I would like to express my appreciation to our management and staff for their continued dedication and commitment. I would also like to express my heartfelt gratitude to all of our business partners, customers and shareholders for their unwavering support. I am confident that we will be able to continue to create greater value for our customers and shareholders.

Yau Frederick Heng Chung
Chairman

Hong Kong, 26 March 2018

Management's Discussion and Analysis

BUSINESS REVIEW

The Group's business has been implemented with focus in marketing online sales and transferring offline retail points to third party retailers.

During the fiscal year, the Group has experienced strong 22.6% sale growth in online retail sales on both Elle and Jessie & Jane brands. Total online retail sales rose from RMB115.7 million to RMB141.9 million. We expect the online retail sales will continue to perform well in 2018.

Due to the implementation of retail transfer plan, the Group self-operated stores have dropped to 5 from 29. The Group has partnered with third party retailers to transfer our offline retail points to them so as to contain operating costs, to leverage on their market network and to focus on our strength in marketing and distribution. After the transfer, total offline retail points reduced slightly from 114 to 110. The sales contributing from offline retail points reduced from RMB48.7 million to RMB14.4 million. As a result of the business plan, the Group has realised significant cost saving in operations. While the staff salaries and welfares under selling and distribution costs have reduced by estimated RMB1.5 million, rental and turnover rent dropped by RMB8.2 million.

The sales to offline retailers continue to rise to RMB33.1 million as more sales have been generated from the sales to offline retailers. The offline retail points operated by third party retailers increased from 85 to 105. The number of third party offline retailers rose from 39 to 42.

For the channel in online retail points, the Group utilised i)video and photo-shooting; ii)catalogs and online retail point display updates and iii)advertisement promotion on social media platform to drive for more sales. For example, the Group ranked first with T-mall during Double 11 shopping festival in women's handbag category. This segment witnessed highest sale growth among all other sale channels. It remains the principal sale driver, contributing approximately 67.9% of total sales, and profit contributor to the Group, contributing approximately 73.6% of total gross profit.

With the business strategy to focus on online sale and marketing, and make adjustment in offline sale channels, the Group's profitability has enhanced. Selling and distribution costs have dropped significantly by RMB8.2 million from RMB83.9 million to RMB75.7 million in spite of 0.7% lower total sales. We manage to keep administrative and other operating expenses at RMB22.5 million, compared to RMB22.1 million in 2016. Net profit recorded at RMB3.8 million after paying RMB13.2 million listing expenses.

Principal Risks and uncertainties

Our Group's 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 markets we serve are seasonal and sensitive to domestic economic conditions and events which may cause our operating results to fluctuate.

Management's Discussion and Analysis

Our products are sold in highly competitive markets that we compete in products development, product quality, competitive pricing; and adapt to fast changing consumer behavior.

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

Our failure to renew our license agreement to the use of ELLE band or maintain proper operation of the e-commerce platforms which are operated by third parties may result in monetary penalties and would have a material adverse effect on us.

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, regulators, 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.

On turnover, the Group's total sales dropped slightly by RMB1.5 million to RMB209.0 million (2016: RMB210.5 million) after executing the transfer plan to adjust our marketing channel.

Revenue by sales channel, the Group achieved RMB141.9 million sales from online retail points (2016: RMB115.7 million), representing 67.9% of total sales (2016: 55.0%). Sales to online retailers kept at RMB19.5 million (2016: RMB20.9 million). Total sales related to these online business amounted to RMB161.4 million (2016: RMB136.6 million). The online business achieved 18.2% growth compared to 2016.

Offline retail point dropped to RMB14.4 million (2016: RMB48.7 million) as the Group transferred retail points to third party retailers. The sales to offline retailers as a result rose to RMB33.1 million (2016: RMB25.2 million). Total sales related to these offline business recorded at RMB47.5 million (2016: RMB73.9 million). The offline business recorded 35.7% reduction.

	Year ended 31 December				Increase/	Growth/
	2017		2016		(Decrease)	(Drop) rate
	RMB'000	**%**	RMB'000	%	RMB'000	%
Retail Sales						
Online retail sales	**141,913**	**67.9%**	115,719	55.0%	26,194	22.6%
Offline retail sales	**14,421**	**6.9%**	48,694	23.1%	(34,273)	-70.4%
Wholesale						
Wholesale to offline retailers	**33,145**	**15.9%**	25,203	12.0%	7,942	31.5%
Wholesale to online retailers	**19,504**	**9.3%**	20,865	9.9%	(1,361)	-6.5%
	208,983	**100.0%**	210,481	100.0%	(1,498)	-0.7%

Management's Discussion and Analysis

Revenue by brand, ELLE products lowered to RMB131.0 million (2016: RMB149.9 million) after transferring and closing down a number of self-operated retail points, mainly ELLE brand, for cost saving reason. Jessie & Jane product continued to witness high growth rate. The sales reached RMB78.0 million (2016: RMB60.6 million), representing 28.7% sale growth.

	Year ended 31 December				Increase/	Growth/
	2017		2016		(Decrease)	(Drop) rate
	RMB'000	**%**	RMB'000	%	RMB'000	%
ELLE	**131,024**	**62.7%**	149,887	71.2%	(18,863)	-12.6%
Jessie & Jane	**77,959**	**37.3%**	60,594	28.8%	17,365	28.7%
	208,983	**100.0%**	210,481	100.0%	(1,498)	-0.7%

The Group's gross profit increased slightly to approximately RMB117.9 million (2016: RMB116.0 million). Our gross profit margins for the years ended 31 December 2017 and 2016 were approximately 56.4% and 55.1% respectively. The slight improvement were attributed to higher sale portion in online retail sales.

The Group selling and distribution costs fell significantly by 9.8% from RMB83.9 million to RMB75.7 million. As we had anticipated rising operating costs in retailing, such as salary and rental, the management adjusted marketing strategy to a more cost effective way of capturing the fast changing consumer shopping habit in online purchase.

For administrative and other operating expenses, the Group managed up slightly to RMB22.5 million from RMB22.1 million in spite of rising wages.

After paying RMB13.2 million listing expenses, profit for the year achieved RMB3.8 million, compared to RMB6.3 million in 2016. The net profit margin for the year was 1.8%.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 31 December 2017,

(a) the Group's total assets increased to approximately RMB105.4 million (2016: approximately RMB94.6 million) while the total equity increased to approximately RMB30.0 million (2016: approximately RMB25.1 million);

(b) the Group's current assets increased to approximately RMB100.1 million (2016: approximately RMB89.1 million) while the current liabilities increased to approximately RMB75.4 million (2016: approximately RMB69.6 million);

Management's Discussion and Analysis

(c) the Group had approximately RMB19.1 million in cash and cash equivalents (2016: approximately RMB21.0 million), and the current ratio of the Group was approximately 1.3 times (2016: approximately 1.3 times);

(d) the Group had bank borrowings of approximately RMB26.4 million (2016: approximately RMB34.6 million), leaving RMB31.9 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 88.1% (2016: approximately 138.1%).

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 2017, the Group has approximately RMB1.4 million of capital expenditure (2016: approximately RMB0.8 million).

SIGNIFICANT INVESTMENTS

As at 31 December 2017, the Group did not hold any significant investments (2016: Nil).

CONTINGENT LIABILITIES

As at 31 December 2017, the Group had no material contingent liabilities or off-balance sheet obligation (2016: Nil).

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 31 December 2017, the Group did not have any assets pledged to secure general banking facilities (2016: Nil). The Group's related company had assets and the directors of the Company and the then immediate holding company of the Group have given personal and corporate guarantees to secure general banking facilities. All these assets and guarantees have been released by the banks after listing.

Management's Discussion and Analysis

PROSPECT

The management believes that the consumption in China continues to grow with increased purchasing power and steady economic growth. The direct online sales to consumers is anticipated to perform better than retailing in the forthcoming years. With financial resources raised through initial public offering, we will put additional resources in marketing through social media, strengthening product design capability, supporting offline retail opening and refurbishment, and upgrading information technology system. In particular, the management plans to enhance online to offline shopping experience and product information with flagship stores to present the products of both ELLE and Jessie & Jane to targeted consumers.

The management aims to strengthen our market position, as well as brand awareness, in the women's handbag market in China. With all these business plans, we believe that the Group will capture increasing market share.

FOREIGN CURRENCY EXPOSURE

The Group's businesses are solely operated in China. The sales and purchases are mainly denominated in Renminbi ("RMB") and customers rarely request to settle our billing by other foreign currencies such as United States dollar and Hong Kong dollar ("HKD"). Except the bank borrowings, the Group's assets, liabilities and transactions were mainly denominated in RMB in the year. The HKD borrowings were at short-term nature and could be repaid at request.

The Directors are of the view that the Group's operating cash flow and liquidity are not subject to significant foreign exchange rate risks and only a small portion of HKD borrowings is outstanding after listing on 16 January 2018. With sufficient cash on hand, the Group is in net cash position to meet financial needs. 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.

Management's Discussion and Analysis

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

The Group was listed on the GEM on 16 January 2018.

As at the date of this report, the Directors do not anticipate any significant change to the use of net proceeds. The Group will apply the proceeds in the same manner and proportion as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

HUMAN RESOURCES

As at 31 December 2017, the Group had 100 employees (2016: 122) 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 RMB17.8 million for the year ended 31 December 2017 (2016: RMB16.4 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 2017 are generally appreciated and recognised.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Yau Frederick Heng Chung ("Mr. Fred Yau"), aged 43, son of Mr. Yau Sonny Tai Nin, nephew of Mr. Yau Tai Leung Sammy, is our Chairman, executive Director and one of our Controlling Shareholders. He also sits on boards of various companies within the Group. He is primarily responsible for the overall business corporate strategic planning and development of our Group. He obtained a bachelor's degree in chemistry from Harvard University in the United States in June 1997.

Mr. Fred Yau has over 15 years of experience in the women's handbag industry. Since March 2002, he has become a director of Sling Incorporated Limited and has been responsible for our Group's strategic and development planning. Since March 2002, Mr. Fred Yau has also become an executive director of Yen Sheng Factory Limited and has been responsible for coordinating the operation of Yen Sheng Factory Limited, including marketing, sales and distribution, managing merchandising and production operation. Through his industry-related working experience, Mr. Fred Yau has accumulated industry knowledge and market understanding for the women's handbag industry.

Mr. Lee Tat Fai Brian ("Mr. Brian Lee"), aged 44, is our chief executive officer and executive Director. He is the son of Ms. Li Wing Chi Agnes who is one of our substantial shareholders through Summit Time Resources Limited. He also sits on boards of various companies within the Group. He is primarily responsible for the operation and management of our Group. He obtained a bachelor's degree in arts and a degree of bachelor of science in economics both from the University of Pennsylvania in the United States in May 1995.

Mr. Brian Lee has over 18 years of experience in the women's handbag industry. In 1999, he and his then business partners, together with the Yau Family, founded our Group with a view to develop women's handbags business. He has been a director of Sling Incorporated Limited since May 1999, and has been responsible for the operation and management of our Group, including the implementation and execution of our business plans. Through his industry-related working experience, he has accumulated industry knowledge and market understanding for the women's handbag industry.

Mr. Yip Chun Wai ("Mr. Yip"), aged 51, is our chief financial officer and executive Director. He is also a director of Senhao Shanghai. Mr. Yip joined our Group in December 2015 as chief financial officer. He is primarily responsible for the overall financial planning and management, as well as developing and maintaining relationship with banks in Hong Kong and the PRC.

Mr. Yip obtained a bachelor's degree in commerce from Dalhousie University in Canada in May 1992 and a degree of master of science in finance from the City University of Hong Kong in November 1998. He has obtained membership in the Hong Kong Securities and Investment Institute since November 2012.

Mr. Yip has over 20 years of experience in the banking and finance industry in Hong Kong. Prior to joining our Group, between June 2004 and September 2013, Mr. Yip worked in Hang Seng Bank Limited, a licensed bank in Hong Kong, with his last position as deputy head of relationship management department (team head) in the CMB relationship management department, where he was responsible for supervising the relationship management team regarding corporate and commercial clients and conducting financial forecast and analysis for corporate and commercial clients.

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Yau Sonny Tai Nin ("Mr. Sonny Yau"), aged 70, father of Mr. Fred Yau and elder brother of Mr. Yau Tai Leung Sammy, is our non-executive Director and one of our Controlling Shareholders. Mr. Sonny Yau is also a director of Sling BVI and Sling incorporated Limited. He is primarily responsible for supervising and providing strategic guidance to our Board. He obtained a bachelor's degree in science from Cornell University in the United States in May 1972.

Mr. Sonny Yau has over 42 years of experience in the handbag industry. Mr. Sonny Yau and the Yau Family founded Yen Sheng Group and Tai Heng Group, which are principally engaged in the provision of manufacturing services and sale of handbags, leather goods and travel goods as an original equipment manufacturer to customers both in and outside the PRC. Since February 1975, Mr. Sonny Yau has been leading Yen Sheng Factory Limited as the chief executive officer and the director of operation. He was mainly responsible for the business development of Yen Sheng Group, including strategic planning, setting the company's values, culture and behaviour, building the senior executive team and allocating resources of the company. Through his industry-related working experience, Mr. Sonny Yau has accumulated industry knowledge and market understanding for the women's handbag industry.

Mr. Yau Tai Leung Sammy ("Mr. Sammy Yau"), aged 64, younger brother of Mr. Sonny Yau and uncle of Mr. Fred Yau, is our non-executive Director and one of our Controlling Shareholders. Mr. Sammy Yau is also a director of Sling incorporated limited and Elite Grand. He is primarily responsible for supervising and providing strategic guidance to our Board.

Mr. Sammy Yau has over 40 years of experience in the handbag industry. The Yau Family, including Mr. Sammy Yau, founded Yen Sheng Group and Tai Heng Group, which are engaged in the provision of manufacturing services and sale of handbags, leather goods and travel goods as an original equipment manufacturer to customers both in and outside the PRC. Since February 1977, Mr. Sammy Yau has been leading Yen Sheng Factory as the director of sales and an executive director. He was mainly responsible for the business development of Yen Sheng Group, including strategic planning, sales and operation, and building the senior executive team. Through his industry-related working experience, Mr. Sammy Yau has accumulated industry knowledge and market understanding for the women's handbag industry.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tong Raymond Kwok Kong (“Mr Tong”), aged 43, was appointed as our independent nonexecutive Director on 15 December 2017. He is a chairman of Nomination Committee, a member of each of Audit Committee and Remuneration Committee of the Board. He obtained a degree of bachelor of science in engineering and a degree of bachelor of science in economics both from the University of Pennsylvania in the United States in December 1997.

Mr. Tong has over 19 years of experience in operations and marketing. Between February 2007 and August 2010, Mr. Tong joined Sumitomo Corporation Equity Asia Limited, a company principally engaged in venture capital and private equity investment in the PRC and South-east Asia, as the vice president, responsible for overseeing private equity investments. From September 2010 to January 2013, Mr. Tong joined Pacific Coffee Company, a subsidiary of China Resources Enterprise, Limited, which is a company principally engaged in food and beverage businesses, as the chief executive officer, being responsible for the overall development of the brand in Asia. From February 2013 to June 2014, Mr. Tong was internally transferred to China Resources Enterprise, Limited, a company principally engaged in consumer goods and retail services business, as the head of corporate development department, being responsible for merger and acquisition of companies.

Mr. Won Chik Kee (“Mr. Won”), aged 48, was appointed as our independent non-executive Director on 15 December 2017. He is a chairman of Audit Committee, a member of each of Remuneration Committee and Nomination Committee of the Board. He obtained a diploma of accountancy from Lingnan College in January 1993, and a bachelor’s degree of business from the Monash University in Australia in July 1996. Mr. Won has become an associate in (i) The Chartered Association of Certified Accountants since February 1995; (ii) the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) since October 1995; and (iii) The Australian Society of Certified Practising Accountants since February 1996. He also has become a fellow of The Association of Chartered Certified Accountants since February 2000.

Mr. Won has been the sole proprietor of C K Won & Co, an accounting firm in Hong Kong, since February 1999. He is also the founder of Concord Asia Secretaries Limited, a company engaging in secretarial, consulting and accounting services since March 1998. Mr. Won worked as a junior accountant in the audit department of Kwan Wong Tan & Fong (a company which had merged with Deloitte Touche Tohmatsu Limited in 1997) from August 1992 to February 1994. He joined Deloitte Touche Tohmatsu Limited as a staff accountant II in February 1994, and was promoted to semi-senior accountant in January 1995, where he was responsible for overall control of small to medium sized audit assignments and to supervise junior audit staff. He left the firm in February 1996, and worked as a financial controller and the assistant of a director of Mae Holdings Limited (now known as Sheng Yuan Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 851)) from July 1996 to February 2001.

Mr. Feng Dai (“Mr. Feng”), aged 42, was appointed as our independent non-executive Director on 15 December 2017. He is a chairman of Remuneration Committee, a member of each of Audit Committee and Nomination Committee of the Board. He obtained a degree of bachelor of arts in engineering sciences from Harvard University in the United States in June 1997.

Directors and Senior Management

Between April 2004 and December 2014, Mr. Feng joined Warburg Pincus Asia LLC, a company principally engaged in investment advisory, where he had worked at various positions, including associate, principal and managing director. He was responsible for advising on private equity investments and post-investment management. Since March 2015, Mr. Feng has been working as the managing director of CareCapital Advisors Limited, a company principally engaged in management advisory. He was responsible for advising on business development and organisational management, with focus on the healthcare industry.

SENIOR MANAGEMENT

Ms. Jiang Ying, aged 36, is the design director of the product design and development department of our Group. Ms. Jiang joined our Group in April 2014. She is primarily responsible for creation of product design theme, style and development in accordance with the brands' characteristics of our Group.

Ms. Jiang obtained a bachelor's degree in industrial design from University of Science and Technology Beijing (北京科技大學) in the PRC in July 2004. In October 2011, Ms. Jiang was awarded the Outstanding Female Designer of Shanghai Award by the Shanghai Municipal Commission of Economy and Informatisation* (上海市經濟和信息化委員會), the Communist Party of the PRC Working Committee of Economy and Informatisation of the Shanghai Municipal* (中共上海市經濟和信息化工作委員會) and the Women's Society of Shanghai City* (上海市婦女聯合會).

Mr. Fang Yan, aged 45, is the design team leader of our Group. Mr. Fang joined our Group in March 2006 as the design team leader of our Group. He is primarily responsible for coordinating product development within different departments of our Group and creating designs of our products.

Mr. Fang obtained a diploma in fashion design from the First Institute of Art and Design in Hong Kong in August 1999.

Mr. Fang has over 20 years of experience in the design industry. Prior to joining our Group, between January 1994 and February 2006, Mr. Fang served as a senior designer in Yen Sheng Factory and he was responsible for designing and presenting products for clients.

Ms. Shen Min, aged 49, is the merchandising director of the product and logistics department of our Group. Ms. Shen joined our Group in February 2016. She is primarily responsible for the implementation of product development strategies, product budgeting and inventory control in accordance with the sales target of our Group. Ms. Shen obtained a bachelor's degree in applied electronic technology from Shanghai Polytechnic University (上海第二工業大學) in the PRC in July 1991.

Ms. Shen has over five years of experience in the merchandising industry in the PRC. Prior to joining our Group, between April 2012 and February 2016, Ms. Shen served as the product director of various brands of Baroque (Shanghai) Garment Co., Ltd. (巴羅克(上海)企業發展有限公司), a company which is engaged in the wholesale of garments and accessories and is a subsidiary of Belle International Holdings Limited, a company listed on the Main Board of the Stock Exchange between May 2007 and July 2017 (former stock code: 1880). Belle International Holdings Limited has withdrawn the listing of its shares from the Stock Exchange since 27 July 2017. She was primarily responsible for managing merchandising of the products.

Directors and Senior Management

Ms. Xu Yijie, aged 35, is the financial controller of our Group and a director of Senhao Shanghai. Ms. Xu joined our Group in January 2017 as the financial controller of Senhao Shanghai. She is primarily responsible for preparation of financial statements, tax report, financial analysis, budgeting and internal control of our Group.

Ms. Xu obtained a bachelor's degree in English language from Shanghai International Studies University (上海外國語大學) in the PRC in July 2004. She was admitted as a certified public accountant by CPA Australia in December 2016. She also obtained membership in Shanghai Institute of Certified Public Accountants in August 2010 and became an internal auditor approved by the China Institute of Internal Audit with the authorisation from the Institute of Internal Auditors in November 2008.

Ms. Xu has over 10 years of experience in the finance and accounting industry in the PRC. Prior to joining our Group, between December 2013 and December 2016, Ms. Xu served as a finance manager in Perceptron Metrology Technology (Shanghai) Co., Ltd. (伯賽計量科技(上海)有限公司), a company which is engaged in software design, production and sales, where she was responsible for internal financial consulting.

Mr. Li Zhaoqing, aged 38, is the IT senior manager of our Group. Mr. Li joined our Group in March 2017. He is primarily responsible for managing our Group's information technology system and developing technologies applicable to the operations of our Group.

Mr. Li obtained a diploma in business administration from Shanghai Jiao Tong University in the PRC in July 2011 by completing online courses.

Mr. Li has over 15 years of experience in the information technology industry in the PRC. Prior to joining our Group, between September 2008 and March 2017, Mr. Li joined Belle Footwear (Shanghai) Company Limited* (百麗鞋業(上海)有限公司), a company principally engaged in the trading of shoes, footwear products, sport shoes and apparel in the PRC and is a subsidiary of Belle International Holdings Limited, a company listed on the Main Board of the Stock Exchange between May 2007 and July 2017 (former stock code: 1880), as a manager of the information technology department where he was responsible for management of information technology system and information system planning.

Corporate Governance Report

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 period from 16 January 2018 (the "Listing Date") to the date of this report (the "Period"), the Company has complied with the applicable code provisions (the "Code Provisions") of the CG Code.

BOARD OF DIRECTORS

The Board is responsible for the formulation of business policies and strategies of the Group, the nomination and appointment of directors, and to ensure the availability of resources as well as the effectiveness of its system of internal control and risk management. The senior management was delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also established Board committees and has delegated to these Board committees various duties and responsibilities as set out in their terms of reference respectively. Each Director shall ensure that he carries out his duty in good faith in compliance with the standard of applicable laws and regulations, and acts in the interests of the Company and its shareholders at all times.

Board Composition

Up to the date of this report, the Board comprised eight Directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors
Mr. Yau Frederick Heng Chung (appointed on 22 June 2017)
Mr. Lee Tat Fai Brian (appointed on 22 June 2017)
Mr. Yip Chun Wai (appointed on 20 October 2017)

Non-executive Directors
Mr. Yau Sonny Tai Nin (appointed on 6 January 2017)
Mr. Yau Tai Leung Sammy (appointed on 22 June 2017)

Independent Non-executive Directors
Mr. Tong Raymond Kwok Kong (appointed on 15 December 2017)
Mr. Won Chik Kee (appointed on 15 December 2017)
Mr. Feng Dai (appointed on 15 December 2017)

The details of Directors are set out in the section headed "Directors and Senior Management" on pages 12 to 16 of this report.

The Company is governed by the Board which has the responsibility for leadership and monitoring of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs.

Corporate Governance Report

The Board sets strategies and directions for the Group's activities with a view to developing its business and enhancing shareholders' value. The Board has delegated the daily operation and day-to-day management of the Group as well as the implementation of the Board's policies and strategies to the executive Directors and management of the Group.

Number of Meetings and Directors' Attendance

The Board will conduct at least 4 regular meetings a year. Board members are provided with all agenda and adequate information for their review within reasonable time before the meetings. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association (the "Articles").

During the Period, the Company held one Board meeting, one audit committee (the "Audit Committee") meeting, one remuneration committee (the "Remuneration Committee") meetings and one nomination committee (the "Nomination Committee") meeting. All minutes of the Board meetings and meetings of Board committees were recorded in sufficient detail the matters considered by the Board and the decisions reached. Details of the attendance of Directors are as follows:

Name of Directors	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors:				
Mr. Yau Frederick Heng Chung	1/1	—	—	—
Mr. Lee Tat Fai Brian	1/1	—	—	—
Mr. Yip Chun Wai	1/1	—	—	—
Non-executive Directors:				
Mr. Yau Sonny Tai Nin	1/1	—	—	—
Mr. Yau Lai Leung Sammy	1/1	—	—	—
Independent Non-executive Directors:				
Mr. Tong Raymond Kwok Kong	1/1	1/1	1/1	1/1
Mr. Won Chik Kee	1/1	1/1	1/1	1/1
Mr. Feng Dai	1/1	1/1	1/1	1/1

The company secretary of the Company ("Company Secretary") attended all the scheduled Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

Corporate Governance Report

Practice and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. At least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are duly kept by the Company Secretary at the meetings and open for inspection by the Directors.

The Company's Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Audit Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

Appointment, Re-election of Directors and Removal of Directors

Each of the Executive Directors has entered into a service contract for a term of 3 years with the Company commencing from 15 December 2017 unless otherwise terminated by either party by giving to the other not less than three months' prior written notice.

Each of Non-executive Directors and Independent Non-executive Directors has entered into a letter of appointment for a term of 2 years with the Company commencing from 15 December 2017 unless otherwise terminated by either party by giving to the other not less than three months' notice in writing.

In accordance with Article 105 of the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation and re-election. Each Director shall retire from office at least once every three years.

In accordance with Article 109 of the Articles of Association, any Director appointed by the Board either to fill a casual vacancy or as an addition to the existing Board shall hold office until the following general meeting (in the case of filling a causal vacancy) or the next following annual general meeting (in the case of an additional Director) and shall then be eligible for election.

Corporate Governance Report

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course on the topics related to corporate governance and regulations under GEM Listing Rules. Records of the training received by the respective Directors are kept and updated by the Company Secretary of the Company.

Independent Non-executive Directors

Mr. Tong Raymond Kwok Kong, Mr. Won Chik Kee and Mr. Feng Dai were appointed as the independent non-executive Directors with effect from 15 December 2017.

The Company has received from each of its independent non-executive Directors the written confirmation of his independence. The Company considers the independent non-executive Directors to be independent in accordance with Rule 5.09 of the GEM Listing Rules.

Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established to ensure a balance of power and authority.

Mr. Yau Frederick Heng Chung serves as the chairman of the Board and is responsible for overall business corporate strategic planning and development of the Group. Mr. Lee Tat Fai Brian serves as the chief executive officer of the Company and is responsible for operation and management of the Group.

BOARD COMMITTEE

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. Tong Raymond Kwok Kong, Mr. Won Chik Kee and Mr. Feng Dai. Mr. Won Chik Kee is the Chairman of the Audit Committee.

Corporate Governance Report

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 2017.

According to the current terms of reference, meetings of the Audit Committee shall be held at least twice a year.

Details of the number of Audit Committee meetings held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 18 in this report.

Remuneration Committee

The Company established the Remuneration Committee on 15 December 2017 which comprised three independent non-executive Directors, namely Mr. Tong Raymond Kwok Kong, Mr. Won Chik Kee and Mr. Feng Dai. Mr. Feng Dai is the Chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review and approve the management's remuneration proposals. The full terms of reference setting out details of duties of the Remuneration Committee is available on the websites of the Stock Exchange and the Company.

The Remuneration Committee determines Directors' remuneration by reference to the benchmarking of the market. The Company also looks into individual Director's competence, duties, responsibilities, performance and the results of the Group in determining the exact level of remuneration for each Director.

Details of the number of Remuneration Committee meeting held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 18 in this report.

Remuneration Policy

The remuneration policy of the Group for the Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the performance of the Group and the individual performance of the Directors and senior management members.

Corporate Governance Report

Nomination Committee

The Company established the Nomination Committee on 15 December 2017 which comprised three independent non-executive Directors, namely Mr. Tong Raymond Kwok Kong, Mr. Won Chik Kee and Mr. Feng Dai. Mr. Tong Raymond Kwok Kong is the Chairman of the Nomination Committee.

The primary function of the Nomination Committee is to make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board. The full terms of reference setting out details of duties of the Nomination Committee is available on the websites of the Stock Exchange and the Company.

The Board adopted the board diversity policy (the "Policy") in accordance with the requirement as set out in the CG Code. The Nomination Committee regularly monitors and reviews the implementation of the Policy. Details of the Policy are set out in the section headed "Board Diversity Policy" of this report.

The Nomination Committee has reviewed the structure, size and composition of the Board and the Policy as well as discussing matters regarding the retirement and re-election of Directors.

Details of the number of Nomination Committee meeting held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 18 in this report.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2017, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about his reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report.

The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The reporting responsibilities of the Company's auditors, Grant Thornton Hong Kong Limited, are set out in the Independent Auditor's Report on pages 43 to 47 of this report.

Corporate Governance Report

AUDITOR'S REMUNERATION

During the year ended 31 December 2017, the remuneration paid or payable to the Company's auditor was as follows:

Services rendered	**RMB'000**
Audit service for the year ended 31 December 2017	590
Non-audit and reporting accountants services relating to the Listing of the Company	1,728
Total	2,318

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for maintaining an adequate system of internal controls and risk management of the Company and for reviewing its effectiveness. The Board is committed to implementing an effective and sound internal controls system and risk management system to safeguard the interest of shareholders and the Group's assets. The Board has reviewed the effectiveness of the internal control system and risk management system of the Group through Audit Committee.

As the corporate and operation structure of the Group is not complex and a separate internal audit department may divert resources of the Group, the Company does not have an internal audit department. However, the Group engaged an external internal control consultant to conduct a review on the internal control system of the Group during the year. The review covered certain operational procedures and included recommendations for improvement and strengthening of the internal control system of the Group. No significant control failings or weakness have been identified by the external internal control consultant during the review. The Audit Committee has received the risk management and internal control evaluation reports prepared by the external professional firm. The reports summarised information relating to the work carried out in the following areas:

- the results of selective testing of internal control procedures, operation, and financial records of the Company;
- a general evaluation of risk management and internal control systems installed by the Company; and
- an outline of major control issues, if any, noticed during the year under review.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by the external professional to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. The Board considered the internal control and risk management systems effective and adequate.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of the directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Directors will review the Group's corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report which will be included in our annual reports upon the Listing.

Non-competition Undertaking

The independent Non-executive Directors have reviewed the confirmation given by Mr. Yau Sonny Tai Nin, Mr. Yau Frederick Heng Chung, Mr. Yau Tai Leung Sammy, Mr. Yau Nicholas Heng Wah, Ms. Hiang Siu Wei Cecilia and Yen Sheng Investment Limited, the controlling shareholders of the Company, pursuant to which each of Mr. Yau Sonny Tai Nin, Mr. Yau Frederick Heng Chung, Mr. Yau Tai Leung Sammy, Mr. Yau Nicholas Heng Wah, Ms. Hiang Siu Wei Cecilia and Yen Sheng Investment Limited has confirmed that, for the year ended 31 December 2017, they and their respective associates have not breached any of the terms of undertaking contained in the non-competition undertaking dated 15 December 2017 as disclosed in the prospectus of the Company dated 29 December 2017.

BOARD DIVERSITY POLICY

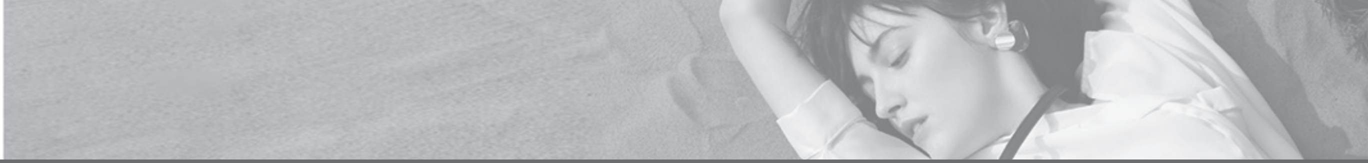
The Company has adopted a board diversity policy in accordance with the requirement as set out in the CG Code, which is summarized as below:

The Policy of the Company specifies that in designing the optimum composition the Board, Board diversity shall be considered from a number of aspects, including but not limited to skills, regional and industry experience, background, race, gender and other qualities of Directors. All Board members' appointment will be based on merit while taking into account diversity. Selection of candidates for the Board will be based on a range of diversity perspectives, including but not limited to gender, age, culture, ethnicity and educational background, professional experience, knowledge and skills.

The Nomination Committee will view the board diversity policy, as appropriate, to ensure its continued effectiveness from time to time.

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 2017 and up to the date of this report.



Corporate Governance Report

SHAREHOLDERS RIGHTS

Procedures for Shareholders to Convene an Extraordinary General Meeting

The following procedures for shareholders of the Company to convene an extraordinary general meeting ("the EGM") of the Company are prepared in accordance with Article 64 of the Articles of Association of the Company:

1 One or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings may, by written requisition to the Board or the Company Secretary of the Company require an EGM to be called by the Board for the transaction of any business specified in such requisition.

2 The EGM shall be held within 2 months after the deposit of such requisition.

3 If the Directors fail to proceed to convene such meeting within 21 days of such deposit of requisition, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Raising Enquiries

1 Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are set out in the section of headed "Corporate Information" of this annual report.

2 Shareholders may at any time raise any enquiry in respect of the Company to our investor relation team via email at the email address at info@sling-inc.com.hk.

3 Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

Procedures and Contact Details for Putting Forward Proposals at Shareholders' Meetings

1 To put forward proposals at the general meeting of the Company, a shareholder should lodge a written notice of his/her/its proposal ("Proposal") with his/her/its detailed contact information at the Company's principal place of business at Unit 1, 21st Floor, Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Kowloon.

2 The identity of the shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a shareholder, the Board will include the Proposal in the agenda for the general meeting.

Corporate Governance Report

3 The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholders concerned at the annual general meeting or an EGM varies according to the nature of the Proposal as follows:

(i) At least 21 clear day's notice (notice period must include 20 business days and excludes the date of the notice and the date of the meeting) in writing if the Proposal constitutes a special resolution of the Company in an EGM or if the Proposal is put forward at an annual general meeting of the Company; or

(ii) At least 14 clear days' notice (the notice period must include 10 business days and excludes the date of the notice and the date of the meeting) in writing if the Proposal constitutes an ordinary resolution of the Company at an EGM.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Information about the Group has been provided to the shareholders through financial reports and announcements in order to keep shareholders well informed of the business activities and directions of the Group. The Group has also established a corporate website www.sling-inc.com.hk as a channel to facilitate effective communication with the shareholders.

Significant Changes in the Constitutional Documents

The amended and restated memorandum and articles of association of the Company were adopted on 15 December 2017 to comply with the relevant provisions of the GEM Listing Rules.

A copy of the memorandum and articles of association of the Company is posted on the designated website of the GEM of the Stock exchange and the website of the Company.

There had been no changes in the memorandum and articles of association of the Company since the Listing Date to the date of this report.

General Meetings with Shareholders

The Company's first annual general meeting will be held on 7 May 2018.

Investor Relations

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company www.sling-inc.com.hk has provided an effective communication platform to the public and the shareholders.

Corporate Governance Report

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed Kingsway Capital Limited as its compliance adviser (the "Compliance Adviser"). Pursuant to Rule 6A.23 of the GEM Listing Rules, the Company will consult with and seek advice from the compliance adviser on a timely basis in matters, including among others, (i) publication of regulatory announcements, circulars or financial reports; (ii) contemplation of notifiable or connected transactions; (iii) change in the use of proceeds from the listing; and (iv) inquiry from the Stock Exchange of Hong Kong Limited.

INTERESTS OF THE COMPLIANCE ADVISER

Save for the compliance adviser agreement between the Company and Kingsway Capital Limited, neither Kingsway Capital Limited, its directors, employees and 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.

COMPANY SECRETARY

Ms. Leung Sau Fong is the Company Secretary of the Company. She is a director of a corporate secretarial services provider in Hong Kong. The primary contact person of the Company with Ms. Leung is Mr. Yip Chun Wai, the Chief Financial Officer of the Company.

All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, the Company Secretary is responsible for facilitating communications among Directors as well as with management.

During the year ended 31 December 2017, the Company Secretary confirmed that she had taken no less than 15 hours of relevant professional training.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2017.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as exempted company with limited liability on 6 January 2017.

The Company completed the corporate reorganisation (the "Reorganisation") on 4 December 2017 in preparation for the Listing, pursuant to which the Company became the holding company of the companies now comprising the Group.

Details of the Reorganisation are set out in paragraph headed "Reorganisation" in the section headed "History, Reorganisation and Development" in the Prospectus. The Shares were listed on GEM of the Stock Exchange on 16 January 2018 by way of placing and public offer.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in provision of design, promote and sell women's handbags, small leather goods and travel goods in the PRC. Details of the principal activities and other particulars of the subsidiaries are set out in note 14 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 6 to 11 of this Annual Report. This discussion forms part of this Directors' Report.

The analysis of the principal activities and geographical locations of the operations of the Group are set out in note 5 to the consolidated financial statements.

There is no significant event affecting the Group that has occurred after the year ended 31 December 2017.

The Group has strictly complied with relevant laws and regulations which have a significant impact on the operations of the Group during the year.

Directors' Report

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 48 to 113.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2017 (2016: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the consolidated financial statements of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserve of the Company as at 31 December 2017, calculated under sections 291, 297 and 299 of the Hong Kong Companies Ordinance, amounted to RMBNil (2016: RMBNil).

ENVIORNMENTAL AND SOCIAL RESPOBSIBILITY

Social responsibility is an important part of how we do business. We work towards making a positive impact on the welfare of our employees, customers and suppliers. The Company's 2017 Environmental, Social and Governance Report will be available on our website within three months from the publication of the Company's annual report.

DONATIONS

During the year ended 31 December 2017, the Group had nil charitable and other donations (2016: Nil).

Directors' Report

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws/articles of association and there was no restriction against such rights under the laws of Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

PURCHASE, SALE OF REDEMPTION OF SECURITIES

The Shares were listed on the GEM of the Stock Exchange on 16 January 2018. As the Shares were not listed on the GEM of the Stock Exchange as at 31 December 2017, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017 and up to the date of this report.

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.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for each of the last three financial years is set out on page 114 of this annual report.

Directors of the Company

The directors of the Company during the year and up to the date of this report were as follows:

Executive directors

Mr. Yau Frederick Heng Chung	*(appointed on 22 June 2017)*
Mr. Lee Tat Fai Brian	*(appointed on 22 June 2017)*
Mr. Yip Chun Wai	*(appointed on 20 October 2017)*

Non-Executive directors

Mr. Yau Sonny Tai Nin	*(appointed on 6 January 2017)*
Mr. Yau Tai Leung Sammy	*(appointed on 22 June 2017)*

Independent non-executive directors

Mr. Tong Raymond Kwok Kong	*(appointed on 15 December 2017)*
Mr. Won Chik Kee	*(appointed on 15 December 2017)*
Mr. Feng Dai	*(appointed on 15 December 2017)*

Directors' Report

Pursuant to Article 105 of the Articles of Association, Mr. Yau Sonny Tai Nin will retire from office by rotation at the Annual General Meeting and being eligible, will offer himself for re-election.

Pursuant to Article 109 of the Articles of Association, Mr. Yau Frederick Heng Chung, Mr. Lee Tat Fai Brian, Mr. Yip Chun Wai, Mr. Yau Tai Leung Sammy, Mr. Tong Raymond Kwok Kong, Mr. Won Chik Kee and Mr. Feng Dai will retire from office at the Annual General Meeting. All of them, being eligible, will offer themselves for re-election.

Mr. Tong Raymond Kwok Kong, Mr. Won Chik Kee, Mr. Feng Dai are independent non-executive directors and were all appointed for a two-year term commencing on 15 December 2017.

Each of the independent non-executive Directors has confirmed in writing his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all the independent non-executive Directors are independent to the Company.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Apart from the contracts and agreements relating to the Reorganisation and saved as disclosed in this report, there was no transaction, arrangement or contract of significance to which the Company or any related companies (holding companies, subsidiaries, or fellow subsidiaries) was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Report

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

The Directors confirm that none of the controlling shareholders, namely Mr. Yau Sonny Tai Nin, Mr. Yau Frederick Heng Chung, Mr. Yau Tai Leung Sammy, Ms. Yau Nicholas Heng Wah, Ms. Hiang Siu Wei Cecilia and Yen Sheng BVI (the "Controlling Shareholders"), the Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by our Group which competes or is likely to compete, directly or indirectly, with our Group's business during the year ended 31 December 2017 and up to the date of this report.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 15 December 2017. Under the Share Option Scheme, the eligible participants of the scheme, including directors, fulltime employees of and advisers and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on 16 January 2018, the date of Listing. The Share Option Scheme will remain in force for a period of 10 years commencing on 15 December 2017. No option had been granted as at the date of this report.

During the year, the Group did not grant any share options.

Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all Shareholders on 15 December 2017:

(i) Purpose of the scheme

The purpose of the Share Option Scheme is to enable us to grant options to selected participants as incentives or rewards for their contribution to us. Our Directors consider the Share Option Scheme, with its broadened basis of participation, will enable us to reward the employees, our Directors and other selected participants for their contributions to us. Given that our Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the GEM Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to our development so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

Directors' Report

(ii) Who may join

Our Directors (which expression shall, for the purpose of this paragraph 18, include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

(aa) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of our Company, any of our subsidiaries or any entity (the "Invested Entity") in which our Group holds an equity interest;

(bb) any non-executive directors (including independent non-executive directors) of our Company, any of our subsidiaries or any Invested Entity;

(cc) any supplier of goods or services to any member of our Group or any Invested Entity;

(dd) any customer of any member of our Group or any Invested Entity;

(ee) any person or entity that provide research, development or other technological support to any member of our Group or any Invested Entity;

(ff) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;

(gg) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and

(hh) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement and growth of our Group,

and, for the purpose of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who fall within any of the above classes of participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' option as to his contribution to the development and growth of our Group.

Directors' Report

(iii) Maximum number of Shares

(aa) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group shall not exceed 30% of the issued share capital of our Company from time to time.

(bb) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue on the day on which trading of the Shares commence on GEM (the "General Scheme Limit").

(cc) Subject to (aa) above but without prejudice to (dd) below, our Company may seek approval of our Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by our Company to our Shareholders shall contain, among other information, the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

(dd) Subject to (aa) above and without prejudice to (cc) above, our Company may seek separate Shareholders' approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to in (cc) above to participants specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to our Shareholders containing a general description of the specified participants, the number and terms of options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose and such other information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

Directors' Report

(iv) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules.

(v) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(vi) Subscription price for Shares and consideration for the option

The subscription price for Shares under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the higher of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of our Shares on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares.

A nominal consideration of HK$1 is payable on acceptance of the grant of an Option

(vii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES1 AND DEBENTURES OF THE COMPANY, ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As the Shares were listed on the GEM of the Stock Exchange on 16 January 2018, the Company was not required to keep any register under Part XV of the Securities and Futures Ordinance ("SFO") as at 31 December 2017.

Subsequent to the Listing, the interests and short positions of the Directors and chief executive of the Company in Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interest or short positions which they are taken or deemed to have under such provisions of the SFO) pursuant to section 352 of the SFO to be entered in the register referred to therein pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors and to be notified to the Company and the Stock Exchange are as follows:

(i) Long position in the Shares

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

Notes:

Yen Sheng Investment Limited ("**Yen Sheng BVI**") was beneficially owned by Mr. Yau Tai Leung Sammy and Mr. Yau Sonny Tai Nin as to approximately 49.3120% and 49.2321%, respectively. By virtue of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**"), Mr. Yau Tai Leung Sammy and Mr. Yau Sonny Tai Nin are deemed to be interested in all the Shares held by Yen Sheng BVI.

(ii) Long position in the ordinary shares of associated corporations

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

Directors' Report

DIRECTOR'S RIGHTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any body corporate, and none of the Directors and chief executives or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As the Shares were listed on the GEM of the Stock Exchange on 16 January 2018, the Company was not required to keep any register under Part XV of the SFO as at 31 December 2017. So far as is known to the Directors, the following persons (not being a Director or chief executive of the Company), immediately after the Listing, would have interest or short position in Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

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

Directors' Report

Notes:

1. Yen Sheng BVI was beneficially owned by Mr. Yau Tai Leung Sammy and Mr. Yau Sonny Tai Nin as to approximately 49.3120% and 49.2321%, respectively. By virtue of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**"), Mr. Yau Tai Leung Sammy and Mr. Yau Sonny Tai Nin are deemed to be interested in all the Shares held by Yen Sheng BVI.

2. Ms. Chan Yee Ling Elaine is the spouse of Mr. Yau Tai Leung Sammy. By virtue of the SFO, Ms. Chan Yee Ling Elaine is deemed to be interested in all the Shares held by Mr. Yau Tai Leung Sammy.

3. Ms. Hiang Siu Wei Cecilia is the spouse of Mr. Yau Sonny Tai Nin. By virtue of the SFO, Ms. Hiang Siu Wei Cecilia is deemed to be interested in all the Shares held by Mr. Yau Sonny Tai Nin.

4. Summit Time Resources Limited was wholly owned by Ms. Li Wing Chi Agnes. By virtue of the SFO, Ms. Li Wing Chi Agnes is deemed to be interested in all the Shares held by Summit Time Resources Limited.

5. Mr. Lee Shui Kwai Victor is the spouse of Ms. Li Wing Chi Agnes. By virtue of the SFO, Mr. Lee Shui Kwai Victor is deemed to be interested in all the Shares held by Ms. Li Wing Chi Agnes.

MAJOR CUSTOMERS AND SUPPLIERS

The information on purchases and sales for the year attributable to the Group's major suppliers and customers is as follows:

	Percentage of the Group's total	
	Purchases	**Sales**
The largest supplier	43.9%	—
Five largest suppliers combined	96.6%	—
The largest customer	—	4.4%
Five largest customers combined	—	12.3%

At no time during the year, the directors, their close associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's number of issued shares) had any interest in these major suppliers or customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the latest practicable date prior to the issue of this report, at least 25% of the Company's total number of issued share was held by the public required under GEM Listing Rules.

Directors' Report

EMOLUMENT POLICY

The emolument policy for the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence. The emoluments of the directors of the Company are determined by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

CONNECTED TRANSACTIONS

During the year, the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 20 of the GEM Listing Rules.

Connected Transaction

During the year, the Group obtained storage and logistic services, marketing services from Shanghai Xuandi and thus paid relevant fees and commission to the company. Also, the Group sampling services from Macia Company Limited and paid sample costs. Further details of the transactions are included in note 29 to the consolidated financial statements.

EXEMPTED CONTINUING CONNECTED TRANSACTION

On 1 January 2016, a tenancy agreement was entered into between Unigrade International Limited (as landlord), a company incorporated in Hong Kong and wholly owned by Lee Sang, and Sling Incorporated Limited (as tenant), in respect of a property situated at Unit 1, 21st Floor, Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Hong Kong, for a term of 36 months commencing on 1 January 2016 and ending on 31 December 2018 (both days inclusive) at a monthly rental of HK$24,030. There is no option to renew the tenancy agreement. Based on the fixed monthly rent under the tenancy agreement, the annual cap in respect of the annual rental payable by our Group to Unigrade International Limited for each of the three years ending 31 December 2018 will be RMB255,722. Each of the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules calculated with reference to the rental annual cap is less than 5% and the annual consideration is less than HK$3,000,000. Accordingly, the entering into of the tenancy agreement constitutes an exempt continuing connected transaction of our Company under Rule 20.7a4 of the GEM Listing Rules, and is exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under the GEM Listing Rules.

Directors' Report

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Manufacturing Services

Dongguan Taiheng had provided the services of producing samples and manufacturing of women's handbags, small leather goods and travel goods (the "Manufacturing Services") to our Group. Dongguan Taiheng was wholly owned by Tai Heng Factory, which was in turn owned by Macia (Hong Kong) and Ms. Cecilia Hiang as to approximately 99.99% and 0.01%, respectively. Macia (Hong Kong) was owned by Ms. Cecilia Hiang, Mr. Sammy Yau and Mr. Sonny Yau as to 50.0%, 49.0% and 1.0%, respectively. Further, (i) Mr. Sammy Yau is our non-executive Director; (ii) each of Mr. Sammy Yau and Ms. Cecilia Hiang is one of our Controlling Shareholders; and (iii) Mr. Sammy Yau is a director of Sling Incorp. Pursuant to the GEM Listing Rules, Dongguan Taiheng is an associate of each of Mr. Sammy Yau and Ms. Cecilia Hiang and is therefore a connected person of our Company.

On 15 December 2017, Dongguan Taiheng and Sling BVI (on its own behalf and as trustee for the benefit of other members of our Group) entered into a manufacturing agreement (the "Manufacturing Agreement") pursuant to which Dongguan Taiheng will produce samples and manufacture women's handbags, small leather goods and travel goods for our Group upon receipt of placing orders from us, for a term commencing from 15 December 2017 and ending on 31 December 2019. Sling BVI has an option to renew the Manufacturing Agreement for a further period of three years, and for each exercise of a renewal option by Sling BVI, Dongguan Taiheng will be deemed to have granted a new option to Sling BVI for a further extension of three years on terms to be negotiated between the parties on a fair and reasonable basis and on the condition that all applicable disclosure and/or Shareholders' approval requirements under the GEM Listing Rules shall have been complied with by our Company.

The prices payable by our Group under the Manufacturing Agreement will be determined based on the ordinary course of business, on commercial terms and a fair and reasonable basis, taking into account the general market conditions. Our Group will pay Dongguan Taiheng a purchase price per Individual Order in accordance with the quantity of order placed, the raw materials required for the relevant goods to be produced and the level of workmanship required.

We will obtain quotations from three potential suppliers, of which one would be Dongguan Taiheng and the other two would be Independent Third Parties, and will compare and negotiate terms of quotations with the suppliers. We require our suppliers to provide detailed cost breakdown of producing our products, which enables us to assess the prices and consumption of material required for production of our women's handbags. We will determine whether or not the purchase price per Individual Order is reasonable with reference to the pricing information from other suppliers, who are Independent Third Parties, in relation to the manufacturing and production of similar quantity and type of products.

We require a reliable and efficient manufacturer for making samples of products that reflect our intended design and quality. With over 10 years business engagement, the Group considers the quality of finished goods produced by Dongguan Taiheng was in line with the design, product specifications and our expectations. The Manufacturing Services provided by Dongguan Taiheng is reliable and is beneficial to our Group and allow us to maintain the quality of the products that we are selling to customers.

Directors' Report

Our Group has set annual caps on procurement from Dongguan Taiheng for the three years ending 31 December 2019 that the total amount will not be more than RMB14,200,000, RMB15,500,000 and RMB16,900,000, respectively.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that the transactions have been entered into (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or better; and (3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company has engaged its auditors to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 ("Revised") "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions set out above in accordance with Rule 20.54 of the GEM Listing Rule. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

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

The Company has received an annual confirmation from the controlling Shareholders in respect of their compliance with the non-competition undertakings under the Undertaking for the year ended 31 December 2017. The independent non-executive Directors have also reviewed the compliance and enforcement of the non-competition undertakings under the Undertaking by the controlling Shareholders and confirmed that the controlling Shareholders have not been in breach of the Undertaking during the year.

PERMITTED INDEMNTIFY PROVISION

Subject to the applicable laws, every director of the Group's companies shall be entitled to be indemnified by the relevant company against all costs, charges, losses, expenses and liabilities incurred by him or her in the execution and discharge of his or her duties or in relation thereto pursuant to their respective Articles of Associations. Such provisions are put in force after the Listing and remained in force as of the date of this report. The Company has maintained liability insurance to provide appropriate cover for the directors of the Company and its subsidiaries.

Directors' Report

CORPORATE GOVERNANCE

Information on the corporate government practices adopted by the Company is set out in the "Corporate Governance Report" on pages 17 to 27 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

On 16 January 2018, the Shares were successfully listed on the GEM of the Stock Exchange with stock code 8285. Save as disclosed, there is no significant event after the reporting period of the Group.

As from 31 December 2017 to the date of this report, save as disclosed in this report, The Board is not aware of any significant events requiring disclosure that have occurred.

AUDITORS

The Company's auditors, Grant Thornton Hong Kong Limited, retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. The Board has taken the recommendation of the Audit Committee that a resolution for the re-appointment of Grant Thornton Hong Kong Limited, as the independent auditors of the Company will be proposed at the forthcoming annual general meeting. There is no change in auditor since the date of the Listing.

On behalf of the board
Sling Group Holdings Limited
Yau Frederick Heng Chung
Chairman

Hong Kong

26 March 2018

Independent Auditor's Report

Grant Thornton
致同

To the members of Sling Group Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sling Group Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 48 to 113, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in our audit
Valuation of inventories	
Refer to significant accounting policies in note 2.8, sources of estimation uncertainty in note 4.1 and note 18 to the consolidated financial statements. As at 31 December 2017, the Group had inventories of approximately RMB45,023,000 net of RMB1,306,000 impairment provision. Inventories are carried at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period. We focused on this area because of the estimation of the net realisable value of inventories involved a high level of management judgement. These estimations are also subjected to uncertainty as a result of changes in market conditions.	Our audit procedures in relation to the assessment of management's estimate of impairment of inventories are as follows: • Understood and evaluated the basis of estimation of the net realisable value of inventories through discussion with management on the general pattern of the Group's product lifecycle, marketing and retail pricing strategy, sales forecast of each individual stock keeping units ("SKUs") on a season by season basis and latest market conditions; • Re-calculated on a sample basis, the inventory provision made on individual SKUs; • Reviewed and analysed the ageing of inventories; • Checked, on a sample basis, the volume and price of future sales of inventories by reviewing the volume and price of inventories sold subsequent to the end of reporting period; and • Assessed the sufficiency of impairment where the estimated net realisable value is lower than the cost. Based on the procedures performed, we consider management's judgement and estimate in assessment of the net realisable value of inventories, to be supported by available evidence.

Independent Auditor's Report

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2017 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagements and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

26 March 2018

Lin Ching Yee Daniel
Practising Certificate No.: P02771

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Revenue	5	**208,983**	210,481
Cost of sales		**(91,063)**	(94,478)
Gross profit		**117,920**	116,003
Other revenue and income	6	**2,888**	175
Government grants		**—**	2,140
Selling and distribution costs		**(75,699)**	(83,878)
Administrative and other operating expenses		**(22,548)**	(22,130)
Listing expenses		**(13,169)**	(1,990)
Finance costs	7	**(755)**	(689)
Profit before income tax	8	**8,637**	9,631
Income tax expense	9	**(4,798)**	(3,374)
Profit for the year		**3,839**	6,257
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to the profit or loss:			
Exchange differences on translation of foreign operations		**1,062**	(528)
Total comprehensive income for the year attributable to equity holders of the Company		**4,901**	5,729
		RMB cents	RMB cents
Earnings per share for profit attributable to equity holders of the Company			
Basic and diluted	12	**0.91**	1.49

The notes on pages 54 to 113 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	**2017 RMB'000**	2016 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*13*	**1,483**	1,642
Interests in associates	*15*	**—**	—
Intangible assets	*16*	**2,723**	2,306
Available-for-sale financial asset	*17*	**199**	127
Deferred tax assets	*24*	**863**	1,501
		5,268	5,576
Current assets			
Inventories	*18*	**45,023**	28,669
Trade and other receivables	*19*	**35,746**	38,052
Amounts due from Controlling Shareholders	*20a*	**9**	—
Amount due from associate	*20b*	**—**	—
Income tax recoverable		**218**	1,358
Restricted cash	*21*	**188**	786
Cash and cash equivalents	*21*	**18,958**	20,193
		100,142	89,058
Current liabilities			
Trade and other payables	*22*	**45,219**	32,046
Bank borrowings	*23*	**26,395**	34,612
Amount due to a related company	*20c*	**—**	17
Amount due to the then immediate holding company	*20d*	**8**	21
Income tax payable		**3,816**	2,876
		75,438	69,572
Net current assets		**24,704**	19,486
Net assets		**29,972**	25,062

Consolidated Statement of Financial Position

As at 31 December 2017

	Note	**2017 RMB'000**	2016 RMB'000
EQUITY			
Share capital	*25*	**9**	—
Reserves	*26*	**29,963**	25,062
Total equity attributable to equity holders of the Company		**29,972**	25,062

Yau Frederick Heng Chung
Director

Lee Tat Fai Brian
Director

The notes on pages 54 to 113 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 217

	Attributable to equity holders of the Company							
	Share capital RMB'000 *(note 25)*	Capital reserve* RMB'000 *(note 26)*	Statutory reserve* RMB'000 *(note 26)*	Translation reserve* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 1 January 2016	—	10,520	—	(1,190)	10,002	19,332	1	19,333
Profit for the year	—	—	—	—	6,257	6,257	—	6,257
Other comprehensive expense:								
Exchange differences on translation of foreign operations	—	—	—	(528)	—	(528)	—	(528)
Total comprehensive (expense)/income for the year	—	—	—	(528)	6,257	5,729	—	5,729
Acquisition of additional interests in a subsidiary	—	—	—	—	1	1	(1)	—
Transaction with equity holders	—	—	—	—	1	1	(1)	—
As at 31 December 2016 and 1 January 2017	—	10,520	—	(1,718)	16,260	25,062	—	25,062
Profit for the year	**—**	**—**	**—**	**—**	**3,839**	**3,839**	**—**	**3,839**
Other comprehensive income:								
Exchange differences on translation of foreign operations	**—**	**—**	**—**	**1,062**	**—**	**1,062**	**—**	**1,062**
Total comprehensive income for the year	**—**	**—**	**—**	**1,062**	**3,839**	**4,901**	**—**	**4,901**
Issuance of share capital upon incorporation	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Increase in issuance of ordinary shares	**9**	**—**	**—**	**—**	**—**	**9**	**—**	**9**
Transfer to statutory reserve	**—**	**—**	**220**	**—**	**(220)**	**—**	**—**	**—**
Transactions with equity holders	**9**	**—**	**220**	**—**	**(220)**	**9**	**—**	**9**
As at 31 December 2017	**9**	**10,520**	**220**	**(656)**	**19,879**	**29,972**	**—**	**29,972**

* The reserve accounts comprise the Group's reserves of RMB29,963,000 (2016: RMB25,062,000) in the consolidated statement of financial position.

The notes on pages 54 to 113 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Cash flows from operating activities			
Profit before income tax		**8,637**	9,631
Adjustments for:			
Amortisation of intangible assets	*8*	**88**	94
Depreciation of property, plant and equipment	*8*	**711**	2,194
Write-down of inventories to net realisable value	*8*	**706**	—
Impairment losses on trade and other receivables	*8*	**—**	268
Impairment losses on amounts due from associates	*8*	**—**	279
Losses on written-off of property, plant and equipment	*8*	**11**	255
Unrealised exchange differences		**(929)**	1,172
Interest income		**(140)**	(91)
Interest expenses	*7*	**755**	689
Operating profit before working capital changes		**9,839**	14,491
Increase in inventories		**(17,060)**	(331)
Decrease/(Increase)in trade and other receivables		**2,563**	(4,802)
Decrease in amount due from the then immediate holding company		**—**	193
Increase in amounts due from associates		**—**	(279)
Decrease in restricted cash		**598**	1,214
Increase in trade and other payables		**13,204**	590
Decrease in amount due to a related company		**(16)**	(333)
(Decrease)/Increase in amount due to the then immediate holding company		**(12)**	21
Cash generated from operations		**9,116**	10,764
Interest paid		**(755)**	(689)
Income taxes paid		**(2,080)**	(4,802)
Net cash generated from operating activities		**6,281**	5,273

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Note	2017 RMB'000	2016 RMB'000
Cash flows from investing activities			
Purchases of property, plant and equipment		**(903)**	(771)
Purchases of intangible assets		**(505)**	(47)
Addition of available-for-sale financial asset		**(72)**	(127)
Acquisition of non-controlling interests		**—**	(1)
Interest received		**140**	91
Net cash used in investing activities		**(1,340)**	(855)
Cash flows from financing activities			
Proceeds from bank borrowings		**8,576**	8,592
Repayment of bank borrowings		**(14,363)**	(2,100)
Net cash (used in)/generated from financing activities		**(5,787)**	6,492
Net (decrease)/increase in cash and cash equivalents		**(846)**	10,910
Cash and cash equivalents at the beginning of the year		**20,193**	9,140
Effect of foreign exchange rate changes		**(389)**	143
Cash and cash equivalents at the end of the year	*21*	**18,958**	20,193

The notes on pages 54 to 113 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

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

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

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 the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 January 2018.

In these consolidated financial statements, certain English name of the companies referred herein represent the management's best effort to translate the Chinese name of the companies as no English name has been registered.

The consolidated financial statements for the year ended 31 December 2017 were approved for issue by the board of directors on 26 March 2018.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL INFORMATION AND BASIS OF PRESENTATION *(Continued)*

1.2 Basis of presentation

Prior to the incorporation of the Company and the completion of a group reorganisation (the "Reorganisation") in connection with the listing of its shares on the Stock Exchange, the Operating Business was carried out by the companies now comprising the Group (collectively referred to as the "Operating Companies"). The Operating Companies were controlled by Yen Sheng BVI, Mr. Sammy Yau, Mr. Sonny Yau, Mr. Fred Yau, Mr. Nicholas Yau, Ms. Cecilia Hiang, Ms. Li Wing Chi Agnes and Summit Time Resources Limited ("Summit Time") (collectively referred to as the "Controlling Shareholders").

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 4 December 2017. Details of the Reorganisation are set out in the paragraphs headed "Reorganisation" in the section headed "History and Development and Reorganisation" in the Company's prospectus dated 29 December 2017.

The Reorganisation only involved inserting new holding companies, which have not been engaged in any other business, immediate to the top of Sling Incorporated Limited ("Sling Incorp"), the Reorganisation has not resulted in any changes of economic substance. Accordingly, the consolidated financial statements of the Group for the years ended 31 December 2017 and 2016 have been prepared using the merger basis of accounting as if the current group structure has been in existence throughout the years ended 31 December 2017 and 2016, or since their respective dates of incorporation and/or establishment, whichever was shorter.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years ended 31 December 2017 and 2016 which include the results, changes in equity and cash flows of the companies now comprising the Group have been prepared as if the Company had always been the holding company of the Group and the current group structure has been in existence throughout the years ended 31 December 2017 and 2016, or since their respective dates of incorporation and/or establishment, whichever was shorter. The consolidated statement of financial position of the Group as at 31 December 2016 has been prepared to present the financial position of the Group as if the current group structure has been in existence at that date taking into account the respective dates of incorporation, where applicable. The assets and liabilities of the companies now comprising the Group are consolidated using their historical carrying amounts prior to the Reorganisation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 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 the GEM of the Stock Exchange.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These 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 instrument classified as available-for-sale financial asset which is stated at fair value. The measurement bases are fully described in the accounting policies below.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company and its major subsidiaries, and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of consolidation *(Continued)*

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in the other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to the profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an interest in an associate or a joint venture.

In the Company's statement of financial position, subsidiary is carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiary is accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the consolidated financial statements, an interest in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates (Continued)

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate recognised for the year, including any impairment loss on the interest in associate recognised for the year. The Group's other comprehensive income for the year includes its share of the associate's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Where unrealised losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net interest in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's interest in its associates. At each reporting date, the Group determines whether there is any objective evidence that the interest in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 *Associates (Continued)*

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate. If the retained interest in that former associate is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to the profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to the profit or loss (as a reclassification adjustment) when the equity method is discontinued.

If an interest in an associate becomes an interest in a joint venture, the Group continues to apply the equity method and does not re-measure the retained interest.

2.4 *Foreign currency translation*

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in the profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in translation reserve in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation on property, plant and equipment is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line basis, at the following rates per annum:

Leasehold improvement	Shorter of useful lives or lease period
Office equipment	20–50%
Computer equipment	20–50%
Motor vehicles	20%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Intangible assets

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Computer software	4–5 years

Trademark which is classified as intangible asset with indefinite useful life is carried at cost less any subsequent accumulated impairment losses.

The trademark has a legal life of 10 years and renewable every 10 years at minimal cost. The directors of the Company (the "Directors") are of the opinion that the Group would renew the trademark continuously and has the ability to do so.

As a result, the trademark is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

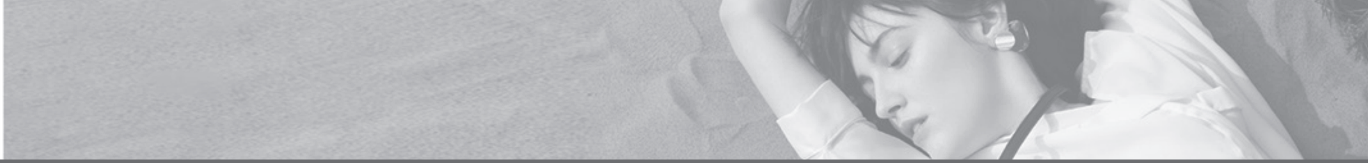
Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.16.

2.7 Financial assets

The Group's accounting policies for financial assets other than interests in associates are set out below.

Financial assets are classified into loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at each reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Financial assets *(Continued)*

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is determined and recognised based on the classification of the financial asset.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the available-for-sale financial assets revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in the profit or loss.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the profit or loss, and other changes are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Financial assets *(Continued)*

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

— Significant financial difficulty of the debtor;

— A breach of contract, such as a default or delinquency in interest or principal payments;

— It becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— The disappearance of an active market for that financial asset because of financial difficulties.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in the profit or loss of the period in which the impairment occurs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 *Financial assets* *(Continued)*

Impairment of financial assets (Continued)

(i) Financial assets carried at amortised cost (Continued)

If, in subsequent periods, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss of the period in which the reversal occurs.

(ii) Available-for-sale financial assets carried at fair value

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in the profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in the profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in the profit or loss.

Impairment losses on financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in the profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis.

2.9 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.10 Financial liabilities

The Group's financial liabilities include bank borrowings, trade and other payables, amounts due to a related company and the then immediate holding company.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 2.18).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit or loss.

Bank borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Financial liabilities (Continued)

Trade and other payables, amounts due to a related company and the then immediate holding company

They are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest method.

2.11 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to the profit or loss in the accounting period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.13 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.14 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and the use by others of the Group's assets yielding interest, net of value-added taxes, returns, rebates and discounts. Provided it is probable that the economic benefits will flow to the Group; the revenue and costs, if applicable, can be measured reliably; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical pattern, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Revenue recognition *(Continued)*

Sales of goods — retailers

Revenue is recognised upon transfer of the significant risks and rewards of ownership to the retailers, which occurs when the goods are delivered and accepted by the retailers. Acceptance refers to either of the situations that the retailers accepted the goods in accordance with the sales contracts; the acceptance provisions have lapsed; or the Group has objective evidence that all criteria for acceptance have been satisfied and there is no unfulfilled obligation that could affect the retailers' acceptance of the goods.

Retailers are offered with right of return (including exchange) within the limit as agreed in the sales contracts. Revenue is adjusted for expected returns (including exchanges) based on historical pattern.

Sales of goods — retail

The Group sells its goods to end customers via a chain of self-operated retail points of the Group or over third-party online retail platforms. Revenue is recognised when the Group can reasonably estimate the acceptance by end customers. For offline retail sales, acceptance by end customers is estimated based on historical experience on product returns. For online retail sales, acceptance can normally be estimated when online payment transaction is completed through third-party payment platforms. Revenue is adjusted for the value of expected returns.

The Group offers a variety of membership-based customer loyalty programs (the "Programs") to provide incentive to customers to buy their products. Under the Programs, customers who joined the membership are able to accumulate reward points through purchases of goods or promotion activities and could redeem these reward points for free products or vouchers entitling discount immediately or on a subsequent purchase. The reward points are recognised as a separately identifiable component of the initial sale transaction by allocating the fair value of the consideration received or receivable between the reward points and the other components of the sale such that the reward points are initially recognised as deferred revenue at their fair values. Revenue from the reward points is recognised when the points are redeemed or expired.

Service income

Service income is recognised when the relevant service is rendered.

Interest income

Interest income is recognised on an accrual basis using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Government grants

Grants from the government are recognised at their fair values where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in the profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

2.16 Impairment of non-financial assets

The Group's property, plant and equipment, intangible assets and interests in associates are subject to impairment testing. Intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund ("MPF") Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in the profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.18 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in the profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Accounting for income taxes (Continued)

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

 (i) the same taxable entity; or

 (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.20 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker (the "CODM") for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

2.21 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

 (i) has control or joint control over of the Group;

 (ii) has significant influence over the Group; or

 (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

 (i) the entity and the Group are members of the same group.

 (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Related parties (Continued)

(b) the party is an entity and if any of the following conditions applies: *(Continued)*

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 Amended HKFRSs that are effective for annual periods beginning or after 1 January 2017

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 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12 included in Annual Improvements to HKFRSs 2014–2016 Cycle	Disclosure of Interests in Other Entities

The impact of the adoption of the amended HKFRSs is discussed below. Other than as noted below, the adoption of these amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. A reconciliation between the opening and closing balances of liabilities arising from financing activities is set out in note 30. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 30, the application of these amendments had no impact on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

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.

Amendments to HKFRS 1 included in Annual Improvements 2014–2016 Cycle	First-time Adoption of Hong Kong Financial Reporting Standards[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28 included in Annual Improvements 2014–2016 Cycle	Investments in Associates and Joint Ventures[1]
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements 2015-2017 Cycle	Business Combinations, Joint Arrangements, Income Taxes and Borrowing Costs[2]
Amendments to HKAS 40	Transfer of Investment Property[1]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective for annual periods beginning on or after 1 January 2021

[4] Effective date not yet determined

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

3.2 *Issued but not yet effective HKFRSs (Continued)*

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

HKFRS 9 "Financial Instruments"

HKFRS 9 will replace HKAS 39 "Financial Instruments: Recognition and Measurement" in its entirety. The new standard introduces changes to HKAS 39's guidance on the classification and measurement of financial assets. Under HKFRS 9, each financial asset is classified into one of three main classification categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. An entity may make an irrevocable election at initial recognition to present in other comprehensive income for the subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

Most of the HKAS 39's requirements for financial liabilities were carried forward unchanged to HKFRS 9. The requirements related to the fair value option for financial liabilities have however been changed to address own credit risk. Where an entity chooses to measure its own debt at fair value, HKFRS 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income, unless effect of changes in the liability's credit risk would create or enlarge an accounting mismatch in the profit or loss, in which case, all gains or losses on that liability are to be presented in the profit or loss.

HKFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, entities are required to account for expected credit losses when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

HKFRS 9 also provides new guidance on the application of hedge accounting. The new hedge accounting models retain the three types of hedge accounting and the requirements of formal designation and documentation of hedge accounting relationships. The new hedge accounting requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assess hedge effectiveness.

The Directors consider that the application of HKFRS 9 in the future will not have a significant impact on the Group's results and financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

3.2 *Issued but not yet effective HKFRSs* (Continued)

HKFRS 15 "Revenue from Contracts with Customers" and Amendments to HKFRS 15 "Clarifications to HKFRS 15 Revenue from Contracts with Customers"

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing HKFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

The amendments to HKFRS 15 are issued with the aim to clarify certain issues on implementation of HKFRS 15.

The Directors consider that the application of HKFRS 15 and Amendments to HKFRS 15 in the future will not have a significant impact on the Group's results and financial position.

HKFRS 16 "Leases"

HKFRS 16 applies a control model to the identification of leases, distinguishing between leases and services contracts on the basis of whether there is an identified asset controlled by the customer.

HKFRS 16 introduces a single lessee accounting model and requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of the lease arrangement. The initial measurement of the right-of-use asset is based on the lease liability and adjusted for any prepaid lease payments, lease incentives received, initial direct costs incurred and an estimate of costs the lessee is obliged to incur to dismantle, remove or restore the underlying asset and/or site. Subsequently, the right-of-use asset is depreciated following the requirements of HKAS 16 "Property, Plant and Equipment" and impaired, if any, following the requirements of HKAS 36 "Impairment of Assets". The lease liability is accounted for similarly to other financial liabilities using an effective interest method.

The lessor accounting requirements are not substantially changed and classification of leases as operating leases or finance leases is retained. HKFRS 16 replaces the previous leases standard HKAS 17 "Leases", and related Interpretations. An entity is allowed to apply HKFRS 16 before that date but only if it also applies HKFRS 15 "Revenue from Contracts with Customers".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

3. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

3.2 Issued but not yet effective HKFRSs *(Continued)*

HKFRS 16 "Leases" (Continued)

As set out in note 28 to the consolidated financial statements, the operating lease commitments of the Group in respect of its leased premises as at 31 December 2017 amounted to RMB5,949,000. The Directors do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's results but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as a right-of-use asset and a lease liability.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Net realisable value of inventories

Net realisable value of inventories (note 18) is based on estimated selling price less any estimated costs to be incurred to completion and disposal with reference to prevailing market information. These estimates are based on the current market condition and the historical experience in selling goods of similar nature. It could change significantly as a result of changes in market conditions. The Group reassesses the estimation at the end of each reporting period.

Impairment of receivables

The Group determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers/debtors and current market conditions. The Group reassesses the impairment of receivables at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

4.1 *Estimation uncertainty* *(Continued)*

Impairment of property, plant and equipment and intangible assets

If circumstances indicate that the net book value of property, plant and equipment (note 13) and intangible assets (note 16) may not be recoverable, the asset may be considered "impaired" and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". The carrying amounts of property, plant and equipment and intangible assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. It is difficult to precisely estimate selling prices because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which requires significant estimation relating to the level of sales volume, selling prices and the amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and the amount of operating costs.

Depreciation and amortisation

Property, plant and equipment (note 13) and intangible assets (note 16) with finite useful lives are depreciated or amortised on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expense to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation and amortisation expense for future periods is adjusted if there are significant changes from previous estimates.

4.2 *Critical accounting judgements*

Income taxes

The Group is subject to income taxes in jurisdictions in which the Group operates. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

5. REVENUE AND SEGMENT REPORTING

5.1 Revenue

Revenue represents the consideration received and receivable from sale of women's handbags, small leather goods, luggage and travel goods through different channels, net of value-added tax, returns, rebates and discounts and were analysed as follows:

	2017	2016
	RMB'000	RMB'000
Online retail sales	**141,913**	115,719
Offline retail sales	**14,421**	48,694
Wholesale to offline retailers	**33,145**	25,203
Wholesale to online retailers	**19,504**	20,865
	208,983	210,481

5.2 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 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

5. REVENUE AND SEGMENT REPORTING *(Continued)*

5.2 *Segment information* *(Continued)*

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, intangible assets and interests in associates ("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, the location of the operations to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interests in associates.

	2017 **RMB'000**	2016 RMB'000
Revenue from external customers		
The PRC (excluding Hong Kong)	**208,975**	210,024
Hong Kong	**8**	457
	208,983	210,481
Specified non-current assets		
The PRC (excluding Hong Kong)	**3,879**	3,505
Hong Kong	**327**	443
	4,206	3,948

Information about major customers

During the year ended 31 December 2017, none of the Group's customers contributed more than 10% of the Group's revenue (2016: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

6. OTHER REVENUE AND INCOME

	2017 RMB'000	2016 RMB'000
Other revenue		
Service income	**1,599**	—
Bank interest income	**138**	53
Dividend and interest income from available-for-sale financial asset	**2**	5
Loan interest from the then immediate holding company *(note)*	**—**	33
	1,739	91
Other income		
Exchange gain, net	**1,103**	—
Sundry income	**46**	84
	1,149	84
	2,888	175

Note: Loan to the then immediate holding company is unsecured, interest-bearing at 5% per annum, and has been fully repaid during the year ended 31 December 2016.

7. FINANCE COSTS

	2017 RMB'000	2016 RMB'000
Interest charges on:		
— Bank borrowings	**755**	689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

8. PROFIT BEFORE INCOME TAX

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

	2017 **RMB'000**	2016 RMB'000
Auditor's remuneration	**593**	226
Cost of inventories recognised as an expense	**88,983**	92,758
Write-down of inventories to net realisable value	**706**	—
Impairment losses on trade and other receivables	**—**	268
Impairment losses on amounts due from associates	**—**	279
Amortisation of intangible assets	**88**	94
Depreciation of property, plant and equipment	**711**	2,194
Losses on written-off of property, plant and equipment	**11**	255
Staff costs (including directors' emoluments)		
— Salaries, allowances and other benefits	**14,658**	12,755
— Contributions to retirement benefit schemes	**3,150**	3,644
Operating lease charges on premises		
— Minimum lease payments	**5,208**	9,095
— Contingent lease payments *(note)*	**1,619**	5,947
Exchange (gain)/losses, net	**(1,103)**	1,520

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

9. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the year.

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% (2016: 25%) on the estimated assessable profit for the year arising from the PRC.

	2017	2016
	RMB'000	RMB'000
Current tax		
Hong Kong Profits Tax		
— Current year	**573**	310
— (Over)/Under-provision in respect of prior years	**(235)**	84
The PRC EIT		
— Current year	**3,698**	2,320
— Under-provision in respect of prior years	**124**	343
	4,160	3,057
Deferred tax		
— Charged to the profit or loss *(note 24)*	**638**	317
Income tax expense	**4,798**	3,374

Reconciliation between income tax expense and accounting profit at applicable tax rates:

	2017	2016
	RMB'000	RMB'000
Profit before income tax	**8,637**	9,631
Tax on profit before income tax, calculated at the rates applicable to profits in the tax jurisdiction concerned	**2,867**	2,464
Tax effect of non-deductible expenses	**2,122**	473
Tax effect of non-taxable income	**(90)**	(1)
Recognition of deductible temporary differences previously not recognised	**10**	11
(Over)/Under-provision in respect of prior years	**(111)**	427
Income tax expense	**4,798**	3,374

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

10.1 Directors' emoluments

Directors' emoluments, disclosed pursuant to the GEM Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
Year ended 31 December 2017					
Executive directors					
Mr. Fred Yau *(note a)*	**—**	**260**	**22**	**13**	**295**
Mr. Lee Tat Fai Brian ("Mr. Brian Lee") *(note a)*	**—**	**1,341**	**87**	**16**	**1,444**
Mr. Yip Chun Wai *(note b)*	**—**	**333**	**35**	**16**	**384**
Non-executive directors					
Mr. Sammy Yau *(note a)*	**—**	**5**	**—**	**—**	**5**
Mr. Sonny Yau *(note c)*	**—**	**5**	**—**	**—**	**5**
Independent non-executive directors					
Mr. Tong Raymond Kwok Kong *(note d)*	**—**	**8**	**—**	**—**	**8**
Mr. Won Chik Kee *(note d)*	**—**	**8**	**—**	**—**	**8**
Mr. Feng Dai *(note d)*	**—**	**8**	**—**	**—**	**8**
	—	**1,968**	**144**	**45**	**2,157**
Year ended 31 December 2016					
Executive directors					
Mr. Fred Yau *(note a)*	—	—	—	—	—
Mr. Brian Lee *(note a)*	—	817	—	15	832
Mr. Yip Chun Wai *(note b)*	—	308	26	14	348
Non-executive directors					
Mr. Sammy Yau *(note a)*	—	—	—	—	—
Mr. Sonny Yau *(note c)*	—	—	—	—	—
	—	1,125	26	29	1,180

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

10. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

10.1 Directors' emoluments *(Continued)*

Note:

(a) Appointed on 22 June 2017.

(b) Appointed on 20 October 2017.

(c) Appointed on 6 January 2017.

(d) Appointed on 15 December 2017.

10.2 Five highest paid individuals

The five highest paid individuals of the Group during the year include two (2016: two) directors whose emoluments are disclosed above. Details of the emoluments in respect of the remaining three (2016: three) highest paid individuals are as follows:

	2017 **RMB'000**	2016 RMB'000
Salaries, allowances and benefits in kind	**1,288**	1,337
Discretionary bonuses	**109**	89
Contributions to retirement benefit schemes	**47**	46
	1,444	1,472

The above individuals' emoluments are within the following bands:

	2017	2016
	Number of individuals	
HK$Nil to HK$1,000,000	**3**	3

During the year ended 31 December 2017, no emoluments were paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil). No Directors or five highest paid individuals have waived or agreed to waive any emoluments during the year ended 31 December 2017 (2016: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

11. DIVIDENDS

No dividend was declared or paid by the Group during the year ended 31 December 2017 to its equity holders (2016: Nil).

12. EARNINGS PER SHARE

The basic earnings per share is calculated based on the profit attributable to equity holders of the Company and 420,000,000 ordinary shares for the years ended 31 December 2017 and 2016, which have been adjusted retrospectively on the assumption that the Reorganisation and the Capitalisation Issue (note 25d) had been effective on 1 January 2016.

	2017 **RMB'000**	2016 RMB'000
Profit for the year attributable to equity holders of the Company for the purposes of basic earnings per share	**3,839**	6,257

There were no dilutive potential ordinary shares during the years ended 31 December 2017 and 2016 and therefore, diluted earnings per share equals to basic earnings per share.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Office equipment RMB'000	Computer equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
As at 1 January 2016					
Cost	6,857	765	139	288	8,049
Accumulated depreciation	(3,992)	(521)	(124)	(124)	(4,761)
Net book amount	2,865	244	15	164	3,288
Year ended 31 December 2016					
Opening net book amount	2,865	244	15	164	3,288
Additions	670	101	—	—	771
Written-off	(255)	—	—	—	(255)
Depreciation	(1,999)	(129)	(11)	(55)	(2,194)
Exchange differences	30	—	1	1	32
Closing net book amount	1,311	216	5	110	1,642
As at 31 December 2016 and 1 January 2017					
Cost	5,044	868	149	288	6,349
Accumulated depreciation	(3,733)	(652)	(144)	(178)	(4,707)
Net book amount	1,311	216	5	110	1,642
Year ended 31 December 2017					
Opening net book amount	**1,311**	**216**	**5**	**110**	**1,642**
Additions	**321**	**581**	**1**	—	**903**
Written-off	—	**(11)**	—	—	**(11)**
Transfers	**(313)**	—	—	—	**(313)**
Depreciation	**(486)**	**(170)**	**(5)**	**(50)**	**(711)**
Exchange differences	**(27)**	—	—	—	**(27)**
Closing net book amount	**806**	**616**	**1**	**60**	**1,483**
As at 31 December 2017					
Cost	**2,605**	**1,196**	**64**	**288**	**4,153**
Accumulated depreciation	**(1,799)**	**(580)**	**(63)**	**(228)**	**(2,670)**
Net book amount	**806**	**616**	**1**	**60**	**1,483**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

14. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2017 and 2016 are as follows:

Name of company	Place/Country of incorporation and operation	Type of legal entity	Particulars of registered/issued and paid up capital	Equity interest held by the Company		Principal activity
				2017	2016	
Sling Investment Limited (“Sling BVI”)	BVI	Limited liability company	HK$10,000 divided into 1,000,000 shares of HK$0.01 each	**100%#**	N/A	Investment holding
Sling Incorp	Hong Kong	Limited liability company	7,937,431 ordinary shares	**100%**	100%	Design, marketing, sourcing and procurement of women’s handbags, small leather goods and travel goods
Elite Grand Limited	Hong Kong	Limited liability company	10,000 ordinary shares	**100%**	100%	Dormant
Senhao Shangmao (Shanghai) Company Limited 森浩商貿(上海)有限公司	The People’s Republic of China (the “PRC”)	Limited liability company	USD2,000,000	**100%**	100%	Wholesale and retail of handbags, wallets and luggage
Senxuan Shangmao (Shanghai) Company Limited 森渲商貿(上海)有限公司	The PRC	Limited liability company	USD100,000	**100%**	100%	Retail and export of handbags, wallets and luggage
Shenzhen Yaying Design Company Limited 深圳雅盈設計有限公司	The PRC	Limited liability company	RMB50,000	**100%**	100%	Inactive
Senqing Shangmao (Shanghai) Company Limited 森晴商貿(上海)有限公司 (“Senqing Shanghai”)	The PRC	Limited liability company	RMB500,000	**N/A***	100%	Wholesale and retail of handbags, wallets and luggage

\# The issued capital of Sling BVI were held by the Company directly.

* Senqing Shanghai was deregistered on 22 January 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

15. INTERESTS IN ASSOCIATES

	2017	2016
	RMB'000	RMB'000
Cost of interests in associates	—	991
Share of post-acquisition results and other comprehensive expenses	—	(991)
	—	—

The following list contains only the particulars of associates, all of which are unlisted corporate entities whose quoted market prices are not available, which in the opinion of the Directors principally affected the results or net assets of the Group as at 31 December 2017 and 2016.

Name of associate	Form of business structure	Place of incorporation and business	Particular of issued capital	Percentage of interest held		Principal activity
				2017	2016	
Eternal Goldyard Limited ("Eternal Goldyard")	Incorporated	Hong Kong	5,000,000 ordinary shares	**N/A** ***(note a)***	25%	Retail of fashion goods
Mercantile Group Limited ("Mercantile")	Incorporated	Hong Kong	1,375,000 ordinary shares	**N/A** ***(note b)***	N/A *(note b)*	Retail of fashion goods

Note:

(a) During the year ended 31 December 2017, the Group disposed of its entire equity interests in Eternal Goldyard to an independent third party at the consideration of HK$1.

(b) During the year ended 31 December 2016, the Group disposed of its entire equity interests in Mercantile to an independent third party at the consideration of HK$1.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

15. INTERESTS IN ASSOCIATES *(Continued)*

Set out below are the summarised financial information of each of the associates which are accounted for using the equity method:

	Eternal Goldyard		Mercantile	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Non-current assets	—	655	—	—
Current assets	—	253	—	—
Current liabilities	—	(3,916)	—	—
Net liabilities	—	(3,008)	—	—

Because both Eternal Goldyard and Mercantile have no operation throughout the year ended 31 December 2017 (2016: Nil), and therefore no profit or loss has been recognised/to be recognised by the Group in respect of these associates during the year ended 31 December 2017 (2016: Nil).

A reconciliation of the above summarised financial information to the carrying amount of each of the interests in associates is set out below:

	Eternal Goldyard		Mercantile	
	2017	2016	**2017**	2016
	RMB'000	RMB'000	**RMB'000**	RMB'000
Total net liabilities of associates	—	(3,008)	—	—
Proportion of ownership interests held by the Group	—	25%	—	—
Carrying amount of the interests in associates in the consolidated statement of financial position	—	—	—	—

As at 31 December 2017, the accumulated losses not recognised by the Group were RMBNil (2016: RMB752,000).

The Group has not incurred any contingent liabilities or other commitments relating to its interests in associates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

16. INTANGIBLE ASSETS

	Trademark RMB'000	Computer software RMB'000	Total RMB'000
As at 1 January 2016			
Cost	2,250	287	2,537
Accumulated amortisation	—	(184)	(184)
Net book amount	2,250	103	2,353
Year ended 31 December 2016			
Opening net book amount	2,250	103	2,353
Additions	—	47	47
Amortisation	—	(94)	(94)
Closing net book amount	2,250	56	2,306
As at 31 December 2016 and 1 January 2017			
Cost	2,250	334	2,584
Accumulated amortisation	—	(278)	(278)
Net book amount	2,250	56	2,306
Year ended 31 December 2017			
Opening net book amount	**2,250**	**56**	**2,306**
Additions	**—**	**505**	**505**
Amortisation	**—**	**(88)**	**(88)**
Closing net book amount	**2,250**	**473**	**2,723**
As at 31 December 2017			
Cost	**2,250**	**839**	**3,089**
Accumulated amortisation	**—**	**(366)**	**(366)**
Net book amount	**2,250**	**473**	**2,723**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

17. AVAILABLE-FOR-SALE FINANCIAL ASSET

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

The available-for-sale financial asset represents the carrying amount of the net cash value of the Policy as at 31 December 2017 which comprised of guaranteed cash value of RMB192,000 (2016: RMB122,000) together with accumulated annual dividends and its accrued interests of RMB7,000 (2016: RMB5,000).

The available-for-sale financial asset is denominated in Hong Kong dollars ("HK$") and the fair value is determined by reference to the net cash value as provided by the insurance company (note 31.6).

18. INVENTORIES

	2017 **RMB'000**	2016 RMB'000
Finished goods	**45,023**	28,669

As at 31 December 2017, the inventories with carrying amounts of RMB804,000 (2016: RMB728,000) were carried at net realisable values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

19. TRADE AND OTHER RECEIVABLES

	2017 **RMB'000**	2016 RMB'000
Trade receivables	**20,676**	23,692
Less: provision for impairment	**—**	(1,030)
	20,676	22,662
Deposits, prepayments and other receivables		
Prepaid expenses		
— to a related company controlled by three of the Controlling Shareholders	**562**	—
— to third parties	**5,929**	4,080
	6,491	4,080
Rental and other deposits	**2,006**	2,466
Prepaid listing expenses	**4,879**	693
Other receivables, net of impairment *(note)*	**1,694**	8,151
	15,070	15,390
	35,746	38,052

Note: As at 31 December 2017, the Group has determined other receivables of RMB120,000 (2016: RMB120,000) as individually impaired. Based on this assessment, impairment losses of RMBNil (2016: RMB120,000) has been recognised for the year ended 31 December 2017.

Before accepting any new customer, the Group applied an internal credit assessment policy to assess the potential customer's credit quality. The credit period is generally for a period of 0 to 90 days (2016: 0 to 90 days). Overdue balances are reviewed regularly by senior management.

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

	2017 **RMB'000**	2016 RMB'000
0–90 days	**13,321**	14,657
91–180 days	**5,820**	4,569
181–365 days	**966**	3,152
Over 365 days	**569**	284
	20,676	22,662

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

19. TRADE AND OTHER RECEIVABLES *(Continued)*

The movement in the provision for impairment of trade receivables is as follows:

	2017 RMB'000	2016 RMB'000
At the beginning of the year	**1,030**	867
Impairment losses recognised	**—**	148
Exchange differences	**—**	15
Written-off	**(1,030)**	—
At the end of the year	**—**	1,030

At each reporting date, the Group reviews receivables for evidence of impairment on both an individual and collective basis. As at 31 December 2017, the Group has determined trade receivables of RMBNil (2016: RMB1,030,000) as individually impaired. Based on this assessment, impairment losses of RMBNil (2016: RMB148,000) has been recognised for the year ended 31 December 2017. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments.

The ageing analysis of trade receivables that were past due at the end of the reporting date but not impaired and net of impairment, bases on due dates is as follows:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	**8,192**	11,037
1–90 days past due	**8,830**	7,817
91–365 days past due	**3,572**	3,524
Over 365 days past due	**82**	284
	20,676	22,662

As at 31 December 2017, trade receivables of RMB8,192,000 (2016: RMB11,037,000) were neither past due nor impaired. These related to a number of independent customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of independent customers that had a good track record of credit with the Group. Based on past credit history, management believe that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

20. AMOUNTS DUE FROM/TO CONTROLLING SHAREHOLDERS/ ASSOCIATE/A RELATED COMPANY/THE THEN IMMEDIATE HOLDING COMPANY

Amounts due are non-trade in nature, unsecured, interest-free and repayable on demand.

(a) Amounts due from Controlling Shareholders

	2017	2016
	RMB'000	RMB'000
Yen Sheng BVI	**6**	—
Summit Time	**3**	—
	9	—

(b) Amount due from associate

	2017	2016
	RMB'000	RMB'000
Eternal Goldyard	**—**	725
Less: provision for impairment	**—**	(725)
	—	—

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

20. AMOUNTS DUE FROM/TO CONTROLLING SHAREHOLDERS/ ASSOCIATE/A RELATED COMPANY/THE THEN IMMEDIATE HOLDING COMPANY *(Continued)*

(b) *Amount due from associate* *(Continued)*

The movement in the provision for impairment of amounts due from associates is as follows:

	Eternal Goldyard RMB'000	Mercantile RMB'000	Total RMB'000
As at 1 January 2016	678	357	1,035
Impairment losses recognised	—	279	279
Written-off on disposal	—	(673)	(673)
Exchange differences	47	37	84
As at 31 December 2016 and 1 January 2017	**725**	—	**725**
Written-off on disposal	**(725)**	—	**(725)**
As at 31 December 2017	—	—	—

Note: As at 31 December 2017, the Group has determined amounts due from associates of RMBNil (2016: RMB725,000) as impaired. Based on this assessment, impairment losses of RMBNil (2016: RMB279,000) has been recognised during the year ended 31 December 2017.

(c) *Amount due to a related company*

	2017 RMB'000	2016 RMB'000
Macia Company Limited ("Macia (Hong Kong)")	—	17

Note: Macia (Hong Kong) is controlled by Mr. Sammy Yau, Mr. Sonny Yau and Ms. Cecilia Hiang.

(d) *Amount due to the then immediate holding company*

	2017 RMB'000	2016 RMB'000
Yen Sheng Factory Limited ("Yen Sheng Factory")	**8**	21

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

21. CASH AND CASH EQUIVALENTS

	2017 RMB'000	2016 RMB'000
Restricted cash	**188**	786
Cash and cash equivalents	**18,958**	20,193
	19,146	20,979

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

Included in restricted cash and cash and cash equivalents of the Group of approximately RMB17,963,000 (2016: RMB13,737,000) as at 31 December 2017 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.

22. TRADE AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Trade payables		
— to a related company controlled by three of the Controlling Shareholders	**—**	1,162
— to third parties	**22,680**	11,478
	22,680	12,640
Accrued charges and other payables		
Accrued expenses		
— to a related company significantly influenced by a director	**420**	355
— to third parties	**14,180**	9,095
	14,600	9,450
Deposits received	**1,909**	2,233
Other tax payables	**4,244**	5,798
Receipts in advance	**1,674**	1,779
Deferred revenue	**112**	146
	22,539	19,406
	45,219	32,046

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

22. TRADE AND OTHER PAYABLES *(Continued)*

The Group was granted by its suppliers credit periods ranging from 0 to 90 days (2016: 0 to 90 days). Based on the date of goods received, the ageing analysis of trade payables as at 31 December 2017 is as follows:

	2017	2016
	RMB'000	RMB'000
0–90 days	**21,629**	12,114
91–180 days	**586**	—
181–365 days	**—**	257
Over 365 days	**465**	269
	22,680	12,640

23. BANK BORROWINGS

	2017	2016
	RMB'000	RMB'000
Bank loans, wholly repayable within one year or on demand		
— Secured *(note a)*	**26,395**	23,642
— Unsecured *(note b)*	**—**	10,970
	26,395	34,612

Note:

(a) As at 31 December 2017, bank borrowings of RMB26,395,000 (2016: RMB23,642,000) are secured, repayable within one year or on demand. The bank borrowings bear interest rate at 1.75% (2016: 1.75%) per annum over HIBOR and secured by:

(i) Personal guarantees given by Mr. Sammy Yau, Mr. Sonny Yau and Mr. Brian Lee; and

(ii) Legal charges over certain properties owned by Unigrade International Limited ("Unigrade"), a related company controlled by Mr. Sammy Yau, Mr. Sonny Yau, Mr. Fred Yau and Mr. Nicholas Yau.

(b) As at 31 December 2017, bank borrowings of RMBNil (2016: RMB10,970,000) are unsecured, repayable within one year or on demand. The bank borrowings bear interest rate at 1.75% per annum over cost of funds of the lender and guaranteed by:

(i) Personal guarantees given by Mr. Sammy Yau, Mr. Sonny Yau and Mr. Brian Lee; and

(ii) Corporate guarantee given by Yen Sheng Factory.

(c) The above guarantees and legal charges will be released and replaced by a corporate guarantee given by the Company upon listing.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

24. DEFERRED TAX

The movement in deferred tax assets during the year is as follows:

	Provisions RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2016	1,873	(55)	1,818
Recognised in the profit or loss *(note 9)*	163	(480)	(317)
As at 31 December 2016 and 1 January 2017	**2,036**	**(535)**	**1,501**
Recognised in the profit or loss *(note 9)*	**(1,173)**	**535**	**(638)**
As at 31 December 2017	**863**	**—**	**863**

As at 31 December 2017, the aggregate amount of temporary differences associated with the undistributed profits of the Company's PRC subsidiaries amounted to approximately RMB32,989,000 (2016: RMB20,137,000). Deferred income tax liabilities have not been recognised amounting to approximately RMB1,649,000 (2016: RMB1,007,000) in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries.

25. SHARE CAPITAL

	Number of shares	**RMB'000**
Authorised:		
Ordinary shares of HK$0.01 each upon incorporation *(note a)*	**1,000,000**	**9**
Increase in authorised share capital *(note b)*	**1,109,000,000**	**9,234**
As at 31 December 2017	**1,110,000,000**	**9,243**
Issued and fully paid:		
Ordinary share of HK$0.01 upon incorporation *(note a)*	**1**	**—**
Issuance of ordinary shares *(note a)*	**999,999**	**9**
As at 31 December 2017	**1,000,000**	**9**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

25. SHARE CAPITAL *(Continued)*

Note:

(a) The Company was incorporated on 6 January 2017 with an authorised share capital of HK$10,000 divided into 1,000,000 shares of HK$0.01 each and has not carried on any business since the date of incorporation except for the Reorganisation. On the date of incorporation, one nil-paid share was allotted and issued. On 28 February 2017, 999,999 nil-paid shares were allotted and issued.

(b) Pursuant to the written resolution of the shareholders passed on 15 December 2017, the authorised share capital of the Company was increased from HK$10,000 to HK$11,100,000 by creation of an additional of 1,109,000,000 shares of HK$0.01 each.

(c) There was no authorised and issued capital as at 31 December 2016 since the Company has not yet been incorporated.

(d) On 15 January 2018, 140,000,000 shares of HK$0.01 each of the Company were allotted and issued at a price of HK$0.43 per share by way of public offer and placing (the "Share Offer").

The proceeds of HK$1,400,000 (equivalent to approximately RMB1,166,000) represents the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK$58,800,000 (equivalent to approximately RMB48,959,000), before issuing expenses, were credited to the Company's share premium account. The shares allotted and issued rank pari passu in all respects with the existing issued shares.

Pursuant to the written resolutions of the shareholders passed on 15 December 2017, subject to the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to allot and issue a total of 419,000,000 shares credited as fully paid at par to Yen Sheng BVI and Summit Time by way of capitalisation of the sum of HK$4,190,000 (equivalent to approximately RMB3,489,000) standing to the credit of the share premium account of the Company (the "Capitalisation Issue"). The Capitalisation Issue was completed on 16 January 2018. The shares allotted and issued rank pari passu in all respects with the then existing issued shares.

26. RESERVES

The amounts of the Group's reserves and the movements during the year ended 31 December 2017 are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Capital reserve

Capital reserve of the Group as at 31 December 2017 represents the difference between the nominal value 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.

Capital reserve of the Group as at 31 December 2016 represents the share capital of entities comprising the Group as a result of the Reorganisation.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2017 RMB'000
ASSETS AND LIABILITIES		
Non-current assets		
Interest in a subsidiary	*14*	**9**
Current assets		
Amounts due from Controlling Shareholders	*20a*	**9**
Current liabilities		
Other payables		**9**
Net current assets		**—**
Net assets		**9**
EQUITY		
Share capital	*25*	**9**
Total equity		**9**

Approved and authorised for issue by the board of directors on 26 March 2018.

Yau Frederick Heng Chung
Director

Lee Tat Fai Brian
Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

The movements of the Company's reserve are as follows:

	Share capital/ Total equity RMB'000
Issuance of share capital upon incorporation	**—**
Increase in issuance of ordinary shares	**9**
As at 31 December 2017	**9**

28. OPERATING LEASE COMMITMENTS

At the reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	2017 RMB'000	2016 RMB'000
Within one year	**4,734**	6,398
In the second to fifth years	**1,215**	4,070
	5,949	10,468

The Group leases a number of premises which comprises office, warehouses, retail shops and department store counters under operating leases. The leases run for an initial period of one to three years (2016: one to three years), with an option to renew and renegotiate the lease terms at the expiry dates or at dates as mutually agreed between the Group and respective landlords.

Certain retail shops and department store counters include payment obligations with rental varied with gross revenue. The contingent lease payments are determined generally by applying pre-determined percentages to realised sales less the basic rentals of the respective leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

29. RELATED PARTY TRANSACTIONS

Other than as disclosed in these consolidated financial statements, the Group entered into the following material related party transactions during the year.

(a) Transactions with related parties

	2017 **RMB'000**	2016 RMB'000
Sales of goods to a related company		
— Shanghai Xuandi Trading Company Limited 上海軒帝貿易有限公司 ("Shanghai Xuandi") *(note a)*	**599**	—
Purchases of goods from an associate/a related company		
— Mercantile	**—**	126
— Dongguan Taiheng Handbags Company Limited 東莞泰亨手袋有限公司 ("Dongguan Taiheng") *(note b)*	**10,202**	19,057
Interest income from the then immediate holding company		
— Yen Sheng Factory	**—**	33
Logistics fees paid to a related company		
— Shanghai Xuandi	**2,508**	2,537
Commission paid to a related company		
— Shanghai Xuandi	**732**	781
Sample costs paid to the then immediate holding company/ a related company		
— Yen Sheng Factory	**—**	193
— Macia (Hong Kong)	**21**	615
Operating leases charges paid to related companies		
— Unigrade	**250**	247
— Shanghai Xuandi	**1,404**	1,200

Note:

(a) Shanghai Xuandi is a related company significantly influenced by Mr. Brian Lee.

(b) Dongguan Taiheng is a related company controlled by Mr. Sammy Yau, Mr. Sonny Yau and Ms. Cecilia Hiang.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

29. RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties (Continued)

The above transactions with related parties were conducted in the Group's normal course of business and at prices and terms no less than those charged to and contracted with other third party suppliers of the Group.

(b) Key management personnel remuneration

	2017 **RMB'000**	2016 RMB'000
Salaries, allowances and other benefits	**3,212**	1,948
Contributions to retirement benefit schemes	**313**	159
	3,525	2,107

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Bank borrowings **RMB'000**
As at 1 January 2017	**34,612**
Cash flows:	
— Repayment	**(14,363)**
— Proceeds	**8,576**
Non-cash flows:	
— Unrealised exchange differences	**(2,430)**
As at 31 December 2017	**26,395**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group's overall financial risk management policies focuses on the unpredictability and volatility at financial markets and seeks to minimise potential adverse effects on the financial position, financial performance and cash flows of the Group. No derivative financial instruments are used to hedge any risk exposures.

31.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and liabilities.

	2017	2016
	RMB'000	RMB'000
Financial assets		
Available-for-sale financial asset	**199**	127
Loans and receivables:		
— Trade and other receivables	**24,376**	33,279
— Amounts due from Controlling Shareholders	**9**	—
— Restricted cash	**188**	786
— Cash and cash equivalents	**18,958**	20,193
	43,730	54,385
Financial liabilities		
Measured at amortised cost:		
— Trade and other payables	**39,189**	24,323
— Bank borrowings	**26,395**	34,612
— Amount due to a related company	**—**	17
— Amount due to the then immediate holding company	**8**	21
	65,592	58,973

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

31.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to foreign currency risk mainly arise from the Group's operation in Hong Kong which are primarily denominated in HK$ and the Group's cash and cash equivalents which denominated in United States dollars ("US$"). These are not the functional currency of the Group to which these transactions relate.

The financial assets and liabilities denominated in HK$ and US$, translated into RMB at the closing rates, are as follows:

	HK$	**US$**
	RMB'000	RMB'000
As at 31 December 2017		
Available-for-sale financial asset	**199**	—
Amounts due from Controlling Shareholders	**9**	—
Cash and cash equivalents	**870**	**226**
Trade and other payables	**(7,593)**	—
Bank borrowings	**(26,395)**	—
Amount due to the then immediate holding company	**(8)**	—
Overall net exposures	**(32,918)**	**226**
As at 31 December 2016		
Available-for-sale financial asset	127	—
Trade and other receivables	6	—
Cash and cash equivalents	2,128	1,425
Trade and other payables	(445)	—
Bank borrowings	(34,612)	—
Amount due to a related company	(17)	—
Amount due to the then immediate holding company	(21)	—
Overall net exposures	(32,834)	1,425

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

31.2 Foreign currency risk *(Continued)*

The following table illustrates the sensitivity of the Group's profit after income tax for the year and equity as at 31 December 2017 in regards to an appreciation in the Group's functional currency against HK$ and US$. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rate.

	Sensitivity rate %	Increase/ (Decrease) in profit for the year RMB'000	Increase/ (Decrease) in equity RMB'000
Year ended 31 December 2017			
HK$	**5%**	**1,374**	**1,374**
US$	**5%**	**(8)**	**(8)**
Year ended 31 December 2016			
HK$	5%	1,371	1,371
US$	5%	(53)	(53)

The same percentage depreciation in the Group's functional currency against the foreign currencies would have the same magnitude on the Group's profit after income tax for the year and equity as at 31 December 2017 but of opposite effect.

The Group does not hedge its foreign currency risk with HK$ and US$. However, management monitors the foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

31.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from interest-bearing borrowings which bearing variable rates expose the Group to cash flow interest rate risk.

The following table illustrates the sensitivity of the Group's profit after income tax for the year and equity as at 31 December 2017 to a decrease of 50 basis points in the interest rate, assuming the interest-bearing borrowings outstanding at the reporting year were outstanding for the whole year and all the variables were held constant.

	Increase in profit for the year RMB'000	**Increase in equity** RMB'000
Year ended 31 December 2017		
Decrease by 50 basis points	**110**	**110**
Year ended 31 December 2016		
Decrease by 50 basis points	145	145

An increase in 50 basis points in interest rate of the Group's interest-bearing borrowings would have the same magnitude on the Group's profit after income tax for the year and equity as at 31 December 2017 but of opposite effect.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

31.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from cash with banks and financial institutions, as well as granting credit to customers in the ordinary course of its operations.

The Group's maximum exposure to credit risk is limited to the carrying amounts of the financial assets at the reporting date as detailed in note 31.1.

As at 31 December 2017 and 2016, most of the Group's restricted cash and cash and cash equivalents were deposited in the major financial institutions in Hong Kong and the PRC with good credit rating and the Group considers the credit risk to be insignificant.

Credit risk on trade and other receivables and amounts due from Controlling Shareholders are minimised through the Group's ongoing credit evaluation on the financial condition of its debtors and tightly monitors the ageing of the receivable balances. Follow up action is taken in case of overdue balances. In addition, management reviews the recoverable amount of the receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. As at 31 December 2017, trade receivables from top five individual customers accounted for 55% (2016: 48%) of the total trade receivables.

None of the Group's financial assets are secured by collateral or other credit enhancements (2016: Nil).

31.5 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities. The Group is exposed to liquidity risk in respect of settlement of its financing obligations and its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

31.5 Liquidity risk *(Continued)*

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining contractual maturity as at 31 December 2017. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Within one year or on demand RMB'000	Total undiscounted amount RMB'000	Carrying amount RMB'000
As at 31 December 2017			
Trade and other payables	**39,189**	**39,189**	**39,189**
Bank borrowings	**26,395**	**26,395**	**26,395**
Amount due to the then immediate holding company	**8**	**8**	**8**
	65,592	**65,592**	**65,592**
As at 31 December 2016			
Trade and other payables	24,323	24,323	24,323
Bank borrowings	34,612	34,612	34,612
Amount due to a related company	17	17	17
Amount due to the then immediate holding company	21	21	21
	58,973	58,973	58,973

Bank borrowings with a repayment on demand clause are included in the "One year or on demand" time band in the above maturity analysis.

As at 31 December 2017, the aggregate undiscounted principal and interest of these bank borrowings payable within one year in accordance with the scheduled payment terms were RMB26,436,000 (2016: RMB34,648,000).

As at 31 December 2017 and 2016, taking into account of the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. Included in the above balances, the Directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates as set out in the loan agreements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(Continued)*

31.6 Fair value measurements of financial instruments

Financial assets measured at fair values in the consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurements, as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The fair value measurement hierarchy of the Group's available-for-sale financial asset is as follows:

	Level 1 RMB'000	**Level 2** RMB'000	**Level 3** RMB'000	**Total** RMB'000
As at 31 December 2017				
Financial asset:				
— Available-for-sale financial asset	**—**	**199**	**—**	**199**
As at 31 December 2016				
Financial asset:				
— Available-for-sale financial asset	—	127	—	127

During the years ended 31 December 2017 and 2016, there were no transfers between Level 1, Level 2 and Level 3.

The fair value of available-for-sale financial asset is determined by reference to the net cash value as provided by the insurance company.

The management considered the carrying amounts of other financial assets and liabilities of the Group are not materially different from their fair values as at 31 December 2017 and 2016 due to immediate or short term of maturity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

32. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it continues to provide returns and benefits for shareholders. The Group manages capital by regularly monitoring its current and expected liquidity requirements.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, debt is defined as bank borrowings net of cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares and raise new debt financing.

The net debt to equity ratio at each reporting date was:

	2017	2016
	RMB'000	RMB'000
Bank borrowings	**26,395**	34,612
Less: restricted cash	**(188)**	(786)
cash and cash equivalents	**(18,958)**	(20,193)
Net debts	**7,249**	13,633
Total equity	**29,972**	25,062
Net debt to equity ratio	**24%**	54%

33. EVENT AFTER THE REPORTING DATE

The Company's shares are listed on the GEM of the Stock Exchange on 16 January 2018. Details of the Share Offer and the Capitalisation Issue are disclosed in note 25d.

Financial Summary

For the year ended 31 December 2017

The consolidated statements of profit or loss and other comprehensive income of the Group for the years ended 2015, 2016 and 2017, and the consolidated statements of financial position of the Group as at 31 December 2015, 2016 and 2017 are as follows:

Consolidated results	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Revenue	192,448	210,481	**208,983**
Listing expenses	—	1,990	**13,169**
Profit before income tax	13,649	9,631	**8,637**
Income tax expense	(3,547)	(3,374)	**(4,798)**
Profit for the year	10,102	6,257	**3,839**
Total comprehensive income for the year attributable to equity holders of the Company	9,886	5,729	**4,901**

Consolidated assets and liabilities	2015 RMB'000	2016 RMB'000	**2017** **RMB'000**
Total assets	80,602	94,634	**105,410**
Total liabilities	(61,269)	(69,572)	**(75,438)**
Total equity	19,333	25,062	**29,972**