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

2019
INTERIM REPORT

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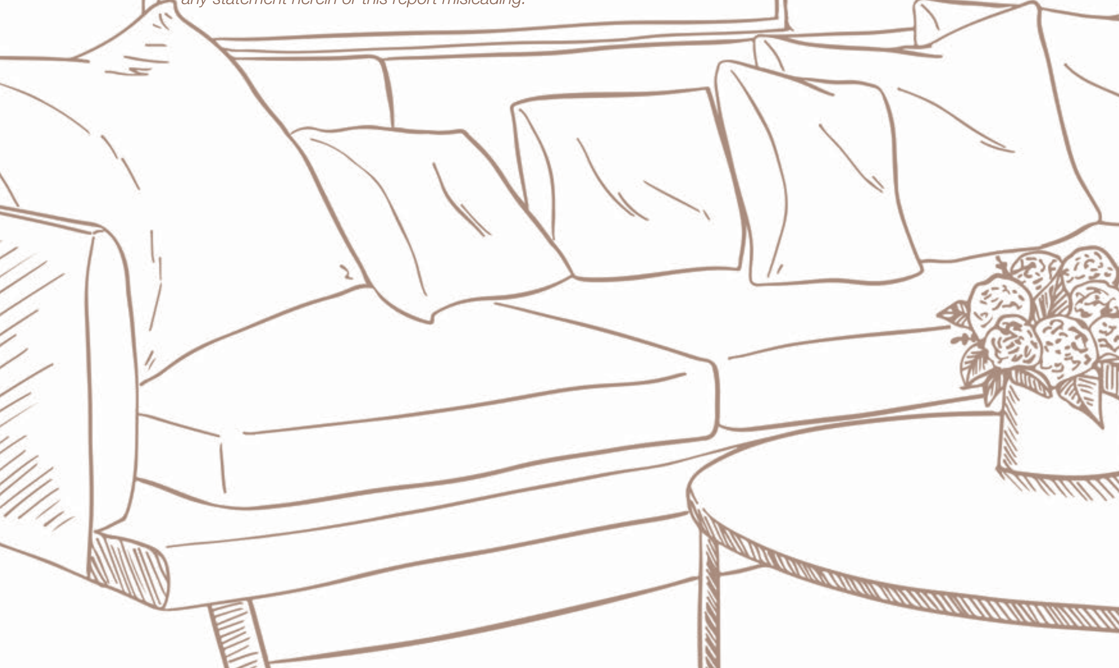

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

For the six months ended 30 June 2019

	Note	Three months ended 30 June 2019 RMB'000 (Unaudited)	Three months ended 30 June 2018 RMB'000 (Unaudited)	Six months ended 30 June 2019 RMB'000 (Unaudited)	Six months ended 30 June 2018 RMB'000 (Unaudited)
Revenue	3	**40,175**	40,813	**69,548**	79,957
Cost of sales		**(18,795)**	(18,269)	**(33,020)**	(35,525)
Gross profit		**21,380**	22,544	**36,528**	44,432
Other revenue and income		**871**	1,283	**3,444**	2,537
Government grants		**2,665**	2,661	**2,900**	2,661
Selling and distribution costs		**(18,874)**	(17,550)	**(33,009)**	(32,235)
Administrative and other operating expenses		**(6,466)**	(6,716)	**(12,296)**	(12,715)
Listing expenses		**—**	—	**—**	(102)
Finance costs		**(146)**	(40)	**(251)**	(121)
(Loss)/Profit before income tax	6	**(570)**	2,182	**(2,684)**	4,457
Income tax expense	5	**(1,064)**	(1,144)	**(1,186)**	(1,780)
(Loss)/Profit for the period		**(1,634)**	1,038	**(3,870)**	2,677
Other comprehensive income					
Item that may be reclassified subsequently to the profit or loss:					
Exchange differences on translation of foreign operations		**460**	1,077	**26**	1,875
Total comprehensive (expense)/income for the period		**(1,174)**	2,115	**(3,844)**	4,552
(Loss)/Profit for the period attributable to:					
Equity holders of the Company		**(1,702)**	1,038	**(3,938)**	2,677
Non-controlling interests		**68**	—	**68**	—
		(1,634)	1,038	**(3,870)**	2,677
Total comprehensive (expense)/income for the period attributable to:					
Equity holders of the Company		**(1,242)**	2,115	**(3,912)**	4,552
Non-controlling interests		**68**	—	**68**	—
		(1,174)	2,115	**(3,844)**	4,552
		RMB cents	RMB cents	**RMB cents**	RMB cents
(Loss)/Earnings per share for (loss)/profit attributable to equity holders of the Company					
Basic and diluted	8	**(0.30)**	0.19	**(0.70)**	0.49

The Group has initially applied Hong Kong Financial Reporting Standard ("HKFRS") 16 as at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in "Retained profits" at the date of initial application. See note 2.

Condensed Consolidated Statement of Financial Position (Unaudited)

As at 30 June 2019

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	7,507	2,236
Intangible assets		3,379	3,322
Financial asset at fair value through profit or loss ("**FVTPL**")	10	321	320
Deferred tax assets		3,144	3,144
		14,351	9,022
Current assets			
Inventories		45,373	38,888
Trade and other receivables	11	35,041	25,182
Amounts due from Controlling Shareholders		9	9
Income tax recoverable		320	51
Restricted cash		83	242
Cash and bank balances		12,178	17,746
		93,004	82,118
Current liabilities			
Trade and other payables	12	27,464	17,463
Lease liabilities		3,599	—
Contract liabilities		1,471	802
Bank borrowings		9,237	6,147
Amount due to the then immediate holding company		5	10
Income tax payable		1,218	733
		42,994	25,155
Net current assets		50,010	56,963
Total assets less current liabilities		64,361	65,985

	Note	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		1,783	—
Net assets		62,578	65,985
EQUITY			
Share capital	13	4,470	4,470
Reserves		57,550	61,515
Equity attributable to equity holders of the Company		62,020	65,985
Non-controlling interests		558	—
Total equity		62,578	65,985

The Group has initially applied HKFRS 16 as at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in "Retained profits" at the date of initial application. See note 2.

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2019

	Attributable to equity holders of the Company						
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Total RMB'000
As at 1 January 2018	9	–	10,520	220	(656)	19,879	29,972
Profit for the period	–	–	–	–	–	2,677	2,677
Other comprehensive income:							
Exchange differences on translation of foreign operations	–	–	–	–	1,875	–	1,875
Total comprehensive income for the period	–	–	–	–	1,875	2,677	4,552
Issuance of ordinary shares pursuant to the Share Offer	1,117	46,935	–	–	–	–	48,052
Issuance of ordinary shares pursuant to the Capitalisation Issue	3,344	(3,344)	–	–	–	–	–
Expenses incurred in connection with the issuance of ordinary shares	–	(8,565)	–	–	–	–	(8,565)
Transactions with equity holders	4,461	35,026	–	–	–	–	39,487
As at 30 June 2018 (Unaudited)	4,470	35,026	10,520	220	1,219	22,556	74,011

	Attributable to equity holders of the Company								
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
As at 1 January 2019 (Audited)	4,470	35,026	10,520	788	2,194	12,987	65,985	–	65,985
Adjustment from the adoption of HKFRS 16	–	–	–	–	–	(53)	(53)	–	(53)
Adjusted as at 1 January 2019	4,470	35,026	10,520	788	2,194	12,934	65,932	–	65,932
(Loss)/Profit for the period	–	–	–	–	–	(3,938)	(3,938)	68	(3,870)
Other comprehensive income:									
Exchange differences on translation of foreign operations	–	–	–	–	26	–	26	–	26
Total comprehensive income/(expense) for the period	–	–	–	–	26	(3,938)	(3,912)	68	(3,844)
Capital contribution from non-controlling interest	–	–	–	–	–	–	–	490	490
As at 30 June 2019 (Unaudited)	4,470	35,026	10,520	788	2,220	8,996	62,020	558	62,578

The Group has initially applied HKFRS 16 as at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in "Retained profits" at the date of initial application. See note 2.

Condensed Consolidated Statement of Cash Flows (Unaudited)

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(992)**	(13,506)
Net cash used in investing activities	**(8,156)**	(786)
Net cash generated from financing activities	**3,580**	19,771
Net (decrease)/increase in cash and cash equivalents	**(5,568)**	5,479
Cash and cash equivalents at the beginning of the period	**17,746**	18,958
Cash and cash equivalents at the end of the period	**12,178**	24,437

The Group has initially applied HKFRS 16 as at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in "Retained profits" at the date of initial application. See note 2.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2019

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules.

The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2018. The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2018, except for the accounting policies as disclosed below:

Leases

The Group as a lessee

Applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the condensed consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

On the condensed consolidated statement of financial position, right-of-use assets have been included in property, plant and equipment, the same line as it presents the underlying assets of the same nature that it owns.

Applicable before 1 January 2019

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 is charged to the profit or loss in the accounting period in which they are incurred.

As at the date of authorisation of the condensed consolidated interim financial statements, HKICPA has issued a number of new and amended HKFRSs. For those which are effective for accounting period beginning on 1 January 2019, the impact of the adoption of HKFRS 16 is disclosed below. Other than HKFRS 16, the adoption of these new and amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

HKFRS 16 “Leases”

HKFRS 16 “Leases” replaces HKAS 17 “Leases” along with three Interpretations (HK(IFRIC)-Int 4 “Determining whether an Arrangement contains a Lease”, HK(SIC) Int-15 “Operating Leases-Incentives” and HK(SIC) Int-27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease”). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of “Retained profits” for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC)-Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC)-Int 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of HKFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at its carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee’s incremental borrowing rate at the date of initial application.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the weighted average incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 4.8%.

The following is a reconciliation of total operating lease commitments as at 31 December 2018 to the lease liabilities recognised as at 1 January 2019:

	RMB'000
Total operating lease commitments disclosed as at 31 December 2018	6,963
Recognition exemptions:	
• Leases with remaining lease term of less than 12 months	(2,734)
Operating leases liabilities before discounting	4,229
Discounting using incremental borrowing rate as at 1 January 2019	(82)
Total lease liabilities recognised under HKFRS 16 as at 1 January 2019	4,147
Classified as:	
Current lease liabilities	2,275
Non-current lease liabilities	1,872
	4,147

The following table summarises the impact of transition to HKFRS 16 on the Group's condensed consolidated statement of financial position as at 1 January 2019:

	RMB'000
Increase in right-of-use assets presented in property plant and equipment	4,094
Increase in lease liabilities	4,147
Decrease in retained profits	(53)

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

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain financial asset which is stated at fair value.

The condensed consolidated interim 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.

The preparation of the condensed consolidated interim financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the accounting policies of the Group. The accounting estimates and assumptions used in the preparation of the condensed consolidated interim financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2018.

The condensed consolidated interim financial statements have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

3. REVENUE

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

Disaggregation of revenue from contracts with customers

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

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Online retail sales	**18,624**	27,507	**36,129**	51,522
Offline retail sales	**948**	1,202	**1,959**	3,225
Wholesale to offline retailers	**2,279**	4,204	**8,059**	11,822
Wholesale to online retailers	**18,324**	7,900	**23,401**	13,388
	40,175	40,813	**69,548**	79,957

4. SEGMENT INFORMATION

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

Geographical information

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

	Three months ended 30 June		**Six months ended 30 June**	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue from external customers				
The People's Republic of China (the "**PRC**") (excluding Hong Kong)	**40,175**	40,813	**69,548**	79,956
Hong Kong	**—**	—	**—**	1
	40,175	40,813	**69,548**	79,957

	As at 30 June 2019	As at 31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Specified non-current assets		
The PRC (excluding Hong Kong)	**10,006**	5,271
Hong Kong	**880**	287
	10,886	5,558

Information about major customers

During the six months ended 30 June 2019 and 2018, none of the Group's customers contributed more than 10% of the Group's revenue.

5. INCOME TAX EXPENSE

PRC Enterprise Income Tax (the "**PRC EIT**") in respect of the Group's operations in the PRC has been calculated at the rate of 25% on the estimated assessable profit for the six months ended 30 June 2019 and 2018 arising from the PRC.

	Three months ended 30 June		**Six months ended 30 June**	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax				
The PRC EIT				
— Current period	**1,064**	1,144	**1,186**	1,780

6. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Auditor's remuneration	**19**	—	**24**	—
Cost of inventories recognised as an expense	**18,623**	17,826	**32,657**	34,963
Amortisation of intangible assets	**75**	48	**146**	83
Depreciation of property, plant and equipment				
— Owned assets	**197**	267	**437**	467
— Right-of-use assets	**985**	—	**1,621**	—
Staff costs (including directors' emoluments)				
— Salaries, allowances and other benefits	**3,616**	3,694	**7,217**	7,352
— Contributions to retirement benefit schemes	**631**	445	**1,157**	931
Lease charges:				
— Premises held under operating leases	**—**	830	**—**	1,991
— Short-term leases and leases with lease term shorter than 12 months as at initial application of HKFRS 16	**710**	—	**1,199**	—
— Variable lease payments (note)	**110**	472	**396**	1,095
Exchange losses/(gain), net	**624**	(243)	**91**	(574)

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

7. DIVIDENDS

The board of directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 30 June 2019 and 2018.

8. (LOSS)/EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
(Loss)/Earnings				
(Loss)/Profit for the period attributable to equity holders of the Company	**(1,702)**	1,038	**(3,938)**	2,677
Number of shares				
Weighted average number of ordinary shares (in thousands)	**560,000**	560,000	**560,000**	549,171

The weighted average number of ordinary shares used to calculate the basic loss per share for the six months ended 30 June 2019 represents 560,000,000 shares in issue throughout the period.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2018 includes (i) 1,000,000 ordinary shares in issue throughout the period; (ii) the 419,000,000 new ordinary shares issued pursuant to the Capitalisation Issue (note), as if all these shares had been in issue throughout the period; and (iii) 129,171,000 shares, representing the weighted average of 140,000,000 new ordinary shares issued pursuant to the Share Offer (note).

There were no dilutive potential ordinary shares during the six months ended 30 June 2019 and 2018 and therefore, diluted (loss)/earnings per share equals to basic (loss)/earnings per share.

Note: 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**").

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 Resources Limited by way of capitalisation of the sum of HK$4,190,000 (equivalent to approximately RMB3,344,000) standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**"). The Capitalisation Issue was completed on 16 January 2018.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired property, plant and equipment of RMB439,000 (six months ended 30 June 2018: RMB475,000). During the six months ended 30 June 2019, the Group disposed property, plant and equipment of RMB152,000 (six months ended 30 June 2018: RMBNil).

During the six months ended 30 June 2019, the Group entered into two new lease agreements for use of premises for 2–3 years. On lease commencement, the Group recognised right-of-use assets and lease liabilities amounting to RMB2,796,000 and RMB2,796,000 respectively.

As at 30 June 2019, the carrying amounts of the Group's right-of-use assets in relation to premises is RMB5,269,000.

10. FINANCIAL ASSET AT FVTPL

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

The financial asset at FVTPL represents the carrying amount of the net cash value of the Policy as at 30 June 2019 which comprised of guaranteed cash value of RMB309,000 (31 December 2018: RMB309,000) together with accumulated annual dividends and its accrued interests of RMB12,000 (31 December 2018: RMB11,000).

The financial asset at FVTPL 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.

The fair value measurement hierarchy of the Group's financial asset at FVTPL is as follows:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 30 June 2019				
Financial asset:				
Financial asset at FVTPL				
— Investment in a life insurance policy	—	321	—	321
As at 31 December 2018				
Financial asset:				
Financial asset at FVTPL				
— Investment in a life insurance policy	—	320	—	320

During the six months ended 30 June 2019 and 2018, there were no transfers between Level 1, Level 2 and Level 3.

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade receivables	**24,533**	17,009
Less: expected credit losses ("**ECL**") allowance	**(1,384)**	(1,384)
	23,149	15,625
Prepayments and other receivables		
Prepaid expenses	**8,632**	6,720
Rental and other deposits	**3,291**	2,235
Other receivables	**206**	839
Less: ECL allowance	**(237)**	(237)
	11,892	9,557
	35,041	25,182

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

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0–90 days	**15,953**	8,447
91–180 days	**2,317**	4,166
181–365 days	**1,967**	2,061
Over 365 days	**2,912**	951
	23,149	15,625

12. TRADE AND OTHER PAYABLES

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
Trade payables		
— to a related company controlled by three of the Controlling Shareholders	**135**	43
— to third parties	**14,264**	7,312
	14,399	7,355
Accrued charges and other payables		
Accrued expenses	**9,390**	6,838
Deposits received	**2,972**	1,754
Other tax payables	**616**	1,429
Other payables	**87**	87
	13,065	10,108
	27,464	17,463

The Group was granted by its suppliers credit periods ranging from 0 to 90 days. Based on the date of goods received, the ageing analysis of trade payables as at 30 June 2019 is as follows:

	As at 30 June 2019 RMB'000 (Unaudited)	As at 31 December 2018 RMB'000 (Audited)
0–90 days	**14,352**	7,053
91–180 days	**47**	146
181–365 days	**—**	—
Over 365 days	**—**	156
	14,399	7,355

13. SHARE CAPITAL

	Number of shares	**RMB'000**
Authorised:		
Ordinary shares of HK$0.01 each		
As at 31 December 2018 and 30 June 2019	**1,110,000,000**	**9,243**
Issued and fully paid:		
As at 1 January 2018	1,000,000	9
Issuance of ordinary shares pursuant to the Share Offer (note a)	140,000,000	1,117
Issuance of ordinary shares pursuant to the Capitalisation Issue (note b)	419,000,000	3,344
As at 31 December 2018 and 30 June 2019	**560,000,000**	**4,470**

Note:

(a) 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 the Share Offer.

The proceeds of HK$1,400,000 (equivalent to approximately RMB1,117,000) 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 RMB46,935,000), 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.

(b) 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 Resources Limited by way of capitalisation of the sum of HK$4,190,000 (equivalent to approximately RMB3,344,000) standing to the credit of the share premium account of the Company. 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.

14. RELATED PARTY TRANSACTIONS

Other than as disclosed in these condensed consolidated interim financial statements, the Group entered into the following material related party transactions during the six months ended 30 June 2019.

(a) Transactions with related parties

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
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)	**–**	–	**–**	2,217
Purchases of goods from a related company				
— Dongguan Taiheng Handbags Company Limited 東莞泰亨手袋有限公司 ("**Dongguan Taiheng**") (note b)	**592**	1,308	**1,122**	1,743
Logistics fees paid to a related company				
— Shanghai Xuandi	**–**	–	**–**	1,745
Commission paid to a related company				
— Shanghai Xuandi	**–**	–	**–**	150
Operating leases charges paid to related companies				
— Unigrade International Limited (note c)	**–**	59	**–**	117
— Shanghai Xuandi	**–**	–	**–**	1,438

Note:

(a) Shanghai Xuandi is a related company significantly influenced by Mr. Lee Tat Fai Brian, a director of the Company. On 31 March 2018, Mr. Brian Lee disposed of his entire equity interest in Shanghai Xuandi.

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

(c) Unigrade International Limited is a related company controlled by Mr. Yau Tai Leung Sammy, Mr. Yau Sonny Tai Nin, Mr. Yau Frederick Heng Chung and Mr. Yau Nicholas Heng Wah.

(b) Key management personnel remuneration

	Three months ended 30 June		**Six months ended 30 June**	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Salaries, allowances and other benefits	**755**	836	**1,676**	1,623
Contributions to retirement benefit schemes	**65**	78	**137**	160
	820	914	**1,813**	1,783

Management Discussion and Analysis

BUSINESS REVIEW

During the six months ended 30 June 2019, the Group recorded a revenue of RMB69.5 million which represents the decrease by 13.1% as compared to the same period of last year. The main reason for such decrease was attributable to the revenue drop in women's handbag business including online retail sales by 29.9% and offline retail sales by 39.3% during the first half of 2019. The revenue drop among the first quarter and second quarter were approximately 25.0% and 1.6%.

In the past, the Group's performance on women's handbag online sales was much dependent on our performance with the No.1 leading B2C e-commerce platform in China. Due to the change of business strategy in this platform, it has affected the Group online free traffic at our online flagship brand stores. Together with weakening demands for our brand products, the online sales in women's handbag have dropped by 33.3%. In the first quarter, the Group has set up a joint venture for the purpose of engaging in the design and sale of luggage and travel accessories through online retail platforms in China. The business has started to contribute in the second quarter with additional RMB11.8 million sales.

The revenue in offline retail sales dropped by 39.3% to approximately RMB2.0 million for the six months ended 30 June 2019. The Group has a total of 4 self-operated retail points. After a period of streamlining directly operated offline retail points to contain operating expenses, the Group selectively opens new stores for marketing purpose including a new ELLE flagship store. Operating costs slightly increased. Sale result has yet to be seen.

Similar to online sales, wholesale to offline retailers has performed below our expectation with 31.8% decline in the first half of 2019 compared to the same period of last year. The number of retailer-operated retail points increased by 1 to 94. Third party retailers have been cautious to expand more store numbers after witnessing sluggish sales. The Group continues to standby subsidy incentive to them for new store opening when they consider suitable time in the second half of the year.

Our wholesale to online retailers distribution channel have exhibited endurance. The marketing plan to collaborate with a number of existing major online platforms, including more merchandise display, in China works well. All these aim to increase our sales and acquire new customers. The revenue in wholesale to online retailers in first half of 2019 remains unchanged compared to corresponding period in 2018. We expect more revenue would be contributed by them in the second half of 2019. Also, on top of women's handbag, additional sales from distributing luggage and travel accessories amounted to RMB11.8 million. As a result, this channel witnessed 74.8% increase to RMB23.4 million.

In terms of revenue among the brands of ELLE and Jessie & Jane, the distribution mix is approximately 77.2% and 22.8% respectively in the first half of 2019, compared to 65.4% and 34.6% in the same period of 2018. Jessie & Jane suffered sale reduction by RMB11.7 million. The additional sales of ELLE luggages further raise the portion of ELLE brand.

Besides the design and distribution of lady handbags, the Group has offered marketing services in online market to other retailers by utilising our knowledge, experience and business relation. The Group has allocated higher portion of financial resource in more marketing and promotion with the target platform operators. After pushing additional effort to work with the retailers, other income has gradually built up. It achieved RMB3.2 million for the period.

FUTURE PROSPECTS

The second half of 2019 remains challenging. Fast changing consumer behavior and competition for resources in the online sales platforms have been the driving forces. The uncertainty arising from Sino-US trade dispute further dampen consumer spending. To cope with these, Group will continue to be responsive to business partners and consumer markets, to strengthen product design capability, and to deploy more marketing resources in social media to boost sales.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately RMB10.5 million, or 13.1%, from approximately RMB80.0 million for the six months ended 30 June 2018 to approximately RMB69.5 million for the six months ended 30 June 2019. For the second quarter, the Group's revenue decreased by approximately RMB0.6 million, or 1.5%, from approximately RMB40.8 million for the three months ended 30 June 2018 to approximately RMB40.2 million for the same period in 2019. The decrease in the Group's total revenue in the second quarter was lessened by the contribution of the additional sales of luggage and travel goods, which commenced in the same quarter. For the first half of 2019, the sale channels of online retail sales , offline retail sales and wholesale to offline retailers declined by approximately 29.9%, 39.3%, and 31.8%, respectively. Benefited by additional sales in luggage and travel goods, wholesale to online retailers recorded a growth of 74.8%.

Gross Profit and Gross Profit Margin

The Group's gross profit decreased by approximately RMB7.9 million, or 17.8%, from approximately RMB44.4 million for the six months ended 30 June 2018 to approximately RMB36.5 million for the six months ended 30 June 2019. The drop was largely attributable to the 13.1% declined sales in the six months ended 30 June 2019.

Our gross profit margin for the six months ended 30 June 2019 and 2018 were approximately 52.5% and 55.6% respectively. The gross profit margin witnessed 3.1% reduction in the first half of 2019.

Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately RMB0.8 million, or 2.5%, from approximately RMB32.2 million for the six months ended 30 June 2018 to approximately RMB33.0 million for the six months ended 30 June 2019. The increase was mainly attributable to (i) additional selling expenses related to sale of luggage and travel goods and (ii) increased depreciation costs relating to the incentive offered to third party retailers and self-operated stores.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by approximately RMB0.4 million, or 3.1%, from approximately RMB12.7 million for the six months ended 30 June 2018 to approximately RMB12.3 million for the six months ended 30 June 2019, which was mainly attributable to the decreases in exchange loss and local travel costs. The Group has been attentive in controlling costs in all aspects.

Income Tax Expense

The Group's income tax expense decreased by approximately RMB0.6 million, or 33.3%, from approximately RMB1.8 million for the six months ended 30 June 2018 to approximately RMB1.2 million for the six months ended 30 June 2019. The decrease was primarily attributable to loss making in most business operations.

(Loss)/Profit for the period

The (loss)/profit for the period decreased by approximately RMB6.6 million, from approximately RMB2.7 million profit for the six months ended 30 June 2018 to approximately RMB3.9 million loss for the six months ended 30 June 2019. The decrease was primarily attributable to the decline in revenue and gross profit margin as discussed above.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 30 June 2019,

(a) the Group's total assets increased to approximately RMB107.4 million (31 December 2018: approximately RMB91.1 million) while the total equity decreased to approximately RMB62.6 million (31 December 2018: approximately RMB66.0 million);

(b) the Group's current assets increased to approximately RMB93.0 million (31 December 2018: approximately RMB82.1 million) while the current liabilities increased to approximately RMB43.0 million (31 December 2018: approximately RMB25.2 million);

(c) the Group had approximately RMB12.2 million in cash and cash equivalents (31 December 2018: approximately RMB18.0 million), and the current ratio of the Group was approximately 2.2 times (31 December 2018: approximately 3.3 times);

(d) the Group had bank borrowings of approximately RMB9.2 million (31 December 2018: approximately RMB6.1 million), leaving RMB45.3 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 14.8% (31 December 2018: approximately 9.3%).

The Company's shares are listed on GEM of the Exchange on 16 January 2018. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares. The Group actively and regularly reviews the capital structure and makes adjustments in light of changes in economic conditions. The Group monitors the capital structure on the basis of the net debt to equity ratio.

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

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities.

SIGNIFICANT INVESTMENTS

As at 30 June 2019, the Group did not hold any significant investments.

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 30 June 2019, the Group did not have any assets pledged to secure general banking facilities.

FOREIGN CURRENCY EXPOSURE

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

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

HUMAN RESOURCES

As at 30 June 2019, the Group had 95 employees (30 June 2018: 93) in Hong Kong and the PRC. We believe that hiring, motivating and retaining qualified employees are crucial to our success as an online and offline distributor. Total staff costs (including Directors' emoluments) were RMB8.4 million for the six months ended 30 June 2019 (six months ended 30 June 2018: RMB8.3 million). The remuneration policies of the Group are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly.

COMPARISON OF BUSINESS OBJECTIVE AND STRATEGIES WITH ACTUAL BUSINESS PROGRESS

As set out in the Prospectus, the business objectives and strategies of the Group are (i) marketing investments in social media events; (ii) expansion of product design and development capacities; (iii) physical shop opening and refurbishment; and (iv) information technology system purchase and upgrade.

An analysis comparing the future plans and use of proceeds contained in the Prospectus with the Group's actual business progress for the period from the date of Listing to 30 June 2019 (the "**Relevant Period**") is set out below:

Business strategy	Implementation plan	Actual business progress
Marketing investment in social media events	Providing sponsorships to artists and television programmes, increasing our marketing efforts on social media and photoshoots, as well as participating in fashion shows and exhibitions.	The Group has advertised through popular mobile platforms and online sale channels including WeChat, MicroBlog, Red, Tik Tok, JD.Com and Tmall. Also, the Group has applied the proceeds in sponsoring artists and TV programmes, as well as engaging celebrities to take Street Snap and photoshoots. To increase brand exposure, the Group participated in Paris Fashion Week in 2018 and various fashion exhibitions in China. The proceeds as allocated for marketing has been fully utilized as at 30 June 2019.

Business strategy	Implementation plan	Actual business progress
Expansion of product design and development capacities	Recruitment of designers and engage one more overseas design consultant firm for fashion trend information for our brands.	Two additional designers have been recruited for Jessie & Jane.
	Recruitment of one additional product development manager and one additional procurement executive.	One additional product development manager, responsible for costume jewelry, has been recruited for Jessie & Jane.
Physical shop opening and refurbishment	Providing subsidy on decoration costs of approximately RMB150,000 each, representing approximately 50% of each shop's decoration costs, to our third party retailers.	The Group has provided subsidy to third party retailers for the opening of 9 new ELLE shops and 34 new Jessie & Jane shops, as well as renovation of 2 ELLE shops and 2 Jessie & Jane shops, under the incentive scheme.
Information technology system purchase and upgrade	Upgrading our finance system and functions such as inventory reports, etc. and sales processing system.	The Group is in the progress of seeking for appropriate system.
	Purchasing of software licences including our product design and operating system softwares.	The Group is in the progress of seeking for appropriate software.
	Purchasing of servers and storage equipment.	The Group is in the progress of seeking for appropriate suppliers.

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

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

As at the date of this report, the Group has applied RMB20.5 million proceeds in the designated areas, compared to the initial plan of RMB22.3 million. More marketing expenditure in social media was made in the first half of 2019 to expose our brands and products in the consumer market. The investment in design and new product category, as well as offline store opening and refurbishment, have been proceeded cautiously so as to match with market development. 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.

The use of IPO proceeds for the six months ended 30 June 2019 are shown as below:

	Net proceeds RMB'000	Utilised amount from the listing date up to 30 June 2019 RMB'000	Unutilised amount as at 30 June 2019 RMB'000
1) Marketing investment in social media events	13,610	13,610	—
2) Design and new product category	4,185	894	3,291
3) Physical shop opening and refurbishment	6,250	4,221	2,029
4) IT system purchase and upgrade	6,862	1,810	5,052
Total use of net proceeds	30,907	20,535	10,372

EVENTS AFTER THE BALANCE SHEET DATE

As from 30 June 2019 to the date of this report, save as disclosed in this report, the Board is not aware of any significant events requiring disclosure that have occurred.

OTHER INFORMATION

A. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2019, the interests and short positions of the Directors and the chief executive of the Company in the Company's shares (the "**Shares**"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"), which were required: (i) to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred therein (the "**Register**"); or (iii) pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Exchange were as follows:

(i) Long Position in the Shares of the Company

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

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

(ii) Long Position in the Shares of the Associated Corporations

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

Save as disclosed above, as at 30 June 2019, none of the Directors and the chief executive of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the Register, or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Exchange.

B. SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 30 June 2019, the following persons/entities other than a Director or the chief executive of the Company had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company and the Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under Section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued voting Shares:

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

Note:

1. Yen Sheng BVI was beneficially owned by Mr. Yau Tai Leung Sammy and Mr. Yau Sonny Tai Nin as to approximately 49.3120% and 49.2321%, respectively. By virtue of the SFO, Mr. Yau Tai Leung Sammy and Mr. Yau Sonny Tai Nin are deemed to be interested in all the Shares held by Yen Sheng BVI.

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

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

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

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

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

SHARE OPTION SCHEME

The Company has a share option scheme which was approved and adopted by the shareholders of the Company by way of the written resolution passed on 15 December 2017 ("**Share Option Scheme**"). No share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme since its adoption and there was no share option outstanding as at 30 June 2019.

NON-COMPETITION UNDERTAKING BY THE CONTROLLING SHAREHOLDERS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES OF THE COMPANY

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other future plans for material investments or capital assets as at 30 June 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2019, the Group did not have any material acquisitions nor disposals of subsidiaries and affiliated companies.

CORPORATE GOVERNANCE

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 of the GEM Listing Rules. During the six months ended 30 June 2019, the Company has complied with the applicable code provisions of the CG Code.

DIRECTORS AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

None of the Directors and controlling shareholders of the Company or any of their respective close associates as defined in the GEM Listing Rules has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, or had any other conflict of interests with the Group during the six months ended 30 June 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct ("**Code of Conduct**") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors that all the Directors have complied with the Code of Conduct for the six months ended 30 June 2019 and up to the date of the report.

CHANGES IN INFORMATION WITH RESPECT OF DIRECTORS

In accordance with Rule 17.50A(1) of the Listing Rules, the changes of information of directors of the Company are set out below:

1. Mr. Tong Raymond Kwok Kong resigned as an Independent Non-executive Director with effect from 31 January 2019.

2. Ms. Sit Ting Fong was appointed as an Independent Non-executive Director with effect from 31 January 2019.

INTERESTS OF COMPLIANCE ADVISER

Save for the compliance adviser agreement entered into between the Company and Kingsway Capital Limited, neither Kingsway Capital Limited nor any of its directors or employees or close associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules at as 30 June 2019.

AUDIT COMMITTEE

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

The Audit Committee comprises three members, all being Independent Non-executive Directors, namely Mr. Won Chik Kee (chairman of the Audit Committee), Mr. Feng Dai and Ms. Sit Ting Fong. It has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing and financial reporting matters, including review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019.

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

Hong Kong, 14 August 2019

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