

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



2023
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 2023

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	3	33,535	19,441	61,682	40,606
Cost of sales		(16,670)	(8,392)	(29,392)	(17,823)
Gross profit		16,865	11,049	32,290	22,783
Other revenue and income		266	68	1,159	985
Government grants		21	20	598	20
Reversal of/(impairment losses on) trade and other receivables, net		405	(1,440)	405	(1,440)
Selling and distribution costs		(15,851)	(11,155)	(30,080)	(23,917)
Administrative and other operating expenses		(3,925)	(4,672)	(7,203)	(8,075)
Finance costs		(263)	(131)	(466)	(240)
Loss before income tax	6	(2,482)	(6,261)	(3,297)	(9,884)
Income tax expense	5	—	—	—	—
Loss for the period		(2,482)	(6,261)	(3,297)	(9,884)
Other comprehensive income <i>Item that may be reclassified subsequently to the profit or loss:</i>					
Exchange differences on translation of financial statements of foreign operations		422	752	217	628
Total comprehensive loss for the period		(2,060)	(5,509)	(3,080)	(9,256)

	<i>Notes</i>	Three months ended 30 June		Six months ended 30 June	
		2023	2022	2023	2022
		RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Loss for the period attributable to:					
Equity holders of the Company		(2,448)	(5,792)	(3,417)	(9,079)
Non-controlling interests		(34)	(469)	120	(805)
		(2,482)	(6,261)	(3,297)	(9,884)
Total comprehensive loss for the period attributable to:					
Equity holders of the Company		(2,026)	(5,040)	(3,200)	(8,451)
Non-controlling interests		(34)	(469)	120	(805)
		(2,060)	(5,509)	(3,080)	(9,256)
Loss per share attributable to equity holders of the Company		RMB cents	RMB cents	RMB cents	RMB cents
Basic and diluted	8	(0.44)	(1.03)	(0.61)	(1.62)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2023

	<i>Notes</i>	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	1,247	814
Intangible assets		2,317	2,392
Financial asset at fair value through profit or loss ("FVTPL")	10	984	953
Deferred tax assets		3,086	3,086
		7,634	7,245
Current assets			
Inventories		26,647	25,581
Trade and other receivables	11	8,157	6,478
Amounts due from shareholders		9	9
Income tax recoverable		372	372
Cash and bank balances		7,783	9,659
		42,968	42,099
Current liabilities			
Trade and other payables	12	23,277	19,287
Contract liabilities		2,356	1,500
Bank borrowings		19,627	20,963
Amount due to the then immediate holding company		5	8
Lease liabilities		654	244
Put option liability		—	—
Income tax payable		234	234
		46,153	42,236
Net current liabilities		(3,185)	(137)
Total assets less current liabilities		4,449	7,108

	<i>Notes</i>	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current liabilities			
Lease liabilities		481	227
Loans from shareholders		3,706	3,573
Loans from a director		927	893
		5,114	4,693
Net (liabilities)/assets		(665)	2,415
EQUITY			
Share capital	13	4,470	4,470
Reserves		(3,195)	5
Equity attributable to equity holders of the Company		1,275	4,475
Non-controlling interests		(1,940)	(2,060)
(Capital deficiency)/Total equity		(665)	2,415

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2023

	Attributable to equity holders of the Company							Sub-total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Put option reserve RMB'000	Translation reserve RMB'000	Accumulated losses RMB'000			
	As at 1 January 2022 (Audited)	4,470	35,026	10,520	1,195	(3,658)	622			
Loss for the period	–	–	–	–	–	–	(9,079)	(9,079)	(805)	(9,884)
<i>Other comprehensive income</i>										
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	628	–	628	–	628
Total comprehensive loss for the period	–	–	–	–	–	628	(9,079)	(8,451)	(805)	(9,256)
As at 30 June 2022 (Unaudited)	4,470	35,026	10,520	1,195	(3,658)	1,250	(37,958)	10,845	(2,028)	8,817
As at 1 January 2023 (Audited)	4,470	35,026	10,520	1,195	(3,658)	2,097	(45,175)	4,475	(2,060)	2,415
Loss for the period	–	–	–	–	–	–	(3,417)	(3,417)	120	(3,297)
<i>Other comprehensive income</i>										
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	217	–	217	–	217
Total comprehensive loss for the period	–	–	–	–	–	217	(3,417)	(3,200)	120	(3,080)
As at 30 June 2023 (Unaudited)	4,470	35,026	10,520	1,195	(3,658)	2,314	(48,592)	1,275	(1,940)	(665)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Net cash generated from operating activities	534	412
Net cash (used in)/generated from investing activities	(2)	7
Net cash (used in)/generated from financing activities	(2,408)	1,679
Net (decrease)/increase in cash and cash equivalents	(1,876)	2,098
Cash and cash equivalents at the beginning of the period	9,659	4,892
Cash and cash equivalents at the end of the period	7,783	6,990

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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. Sammy Yau**”), Mr. Yau Sonny Tai Nin (“**Mr. Sonny Yau**”), Mr. Yau Frederick Heng Chung (“**Mr. Fred Yau**”), Mr. Yau Nicholas Heng Wah (“**Mr. Nicholas Yau**”) and Ms. Hiang Siu Wei Cecilia (“**Ms. Cecilia Hiang**”).

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023 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 unaudited condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial asset at FVTPL which is stated at fair value.

The unaudited 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 2022. The accounting policies used in the preparation of the unaudited 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 2022, except for the adoption of the following new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) which are effective as of 1 January 2023.

New and Amended HKFRSs that are effective for annual period beginning on 1 January 2023

HKFRS 17	Insurance Contracts with related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

Except for those mentioned below, 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.

Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 “Income Taxes” does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 “Income Taxes”.

The Group adopted the amendments from 1 January 2023 and are required to recognise the associated deferred tax assets and liabilities from leases that occurred on or after 1 January 2022 from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained profits at that date.

The amendments had no impact on the condensed consolidated interim financial statements of the Group.

Issued but not yet effective HKFRSs

As at the date of authorisation of the unaudited condensed consolidated interim financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group. The Directors anticipate 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.

Going concern basis

During the six months ended 30 June 2023, the Group recorded a net loss of RMB3,297,000. The Group's operations are financed by bank borrowings, loans from related parties and internal resources. As at 30 June 2023, the Group had net current liabilities and capital deficiency of RMB3,185,000 and RMB665,000 respectively. The Group's cash and bank balances amounting to RMB7,783,000 as at 30 June 2023.

The Company has reviewed the current performance and cash flows forecast. The Company has a reasonable expectation that it has adequate resources to continue in operational existence for the foreseeable future. Accordingly the unaudited condensed consolidated interim financial statements have been prepared on a going concern basis.

The preparation of the unaudited 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 unaudited 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 2022.

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

3. REVENUE

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

Disaggregation of revenue from contracts with customers

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

	Three months ended 30 June		Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Online retail sales	30,052	18,337	54,907	37,982
Wholesale to online retailers	3,196	1,051	6,372	2,326
Wholesale to offline retailers	51	49	51	256
Offline retail sales	236	4	352	42
	33,535	19,441	61,682	40,606

4. SEGMENT INFORMATION

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

Geographical information

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

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue from external customers				
The People's Republic of China (the "PRC") (excluding Hong Kong)	33,535	19,441	61,682	40,606

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Specified non-current assets		
The PRC (excluding Hong Kong)	3,559	3,206
Hong Kong	5	—
	3,564	3,206

Information about major customers

During the six months ended 30 June 2023, none of the Group's customers contributed more than 10% of the Group's revenue (2022: Nil).

5. INCOME TAX EXPENSE

For the six months ended 30 June 2023 and 2022, Hong Kong Profits Tax and PRC Enterprise Income Tax (the "PRC EIT") have not been provided in the unaudited condensed consolidated interim financial statements as no assessable profits subject to Hong Kong Profits Tax and PRC EIT.

The PRC EIT in respect of the Group's operations in the PRC has been calculated at the rate of 25% (2022: 25%) on the estimated assessable profit for the period arising from the PRC.

6. LOSS BEFORE INCOME TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	16,540	8,293	29,130	17,587
(Reversal)/Write-down of inventories to net realisable value	(250)	482	(250)	818
Gain on early termination for lease	—	(11)	—	(11)
Amortisation of intangible assets	29	52	75	103
Depreciation of property, plant and Equipment				
— Owned assets	8	89	229	186
— Right-of-use assets	170	138	317	244
Total depreciation	178	227	546	430
Staff costs (including directors' emoluments)				
— Salaries, allowances and other benefits	2,048	1,930	4,092	4,337
— Contributions to retirement benefit schemes (note)	335	318	669	644
Total staff costs	2,383	2,248	4,761	4,981
Operating lease charges premises:				
— Short-term leases	105	346	398	1,004
— COVID-19-related rent concessions	—	(38)	—	(38)
Total lease charges	105	308	398	966
Exchange losses, net	1,454	1,620	880	1,371

Note: During the six months ended 30 June 2023 and 2022, there are no forfeited contribution be used to reduce the level of employer's contributions. As at 30 June 2023 and 31 December 2022, there are no forfeited contribution available to reduce the contributions payable in the future years.

7. DIVIDENDS

The board of directors (the “**Board**”) does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

8. LOSS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
Loss				
Loss for the period attributable to equity holders of the Company (in RMB'000)	(2,448)	(5,792)	(3,417)	(9,079)
Number of shares				
Weighted average number of ordinary shares	560,000,000	560,000,000	560,000,000	560,000,000

The weighted average number of ordinary shares used to calculate the basic loss per share for the six months ended 30 June 2023 and 2022 represents 560,000,000 ordinary shares in issue throughout the periods.

There were no dilutive potential ordinary shares during the six months ended 30 June 2023 and 2022 and therefore, diluted loss per share equals to basic loss per share.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group has acquired property, plant and equipment of RMB18,000 (six months ended 30 June 2022: Nil). During the six months ended 30 June 2023, there is no property, plant and equipment disposed (six months ended 30 June 2022: Nil).

During the six months ended 30 June 2023, the Group entered into one new lease agreement (six months ended 30 June 2022: one). During the six months ended 30 June 2023, the Group initially recognised right-of-use assets and lease liabilities amounting to approximately RMB961,000 and RMB961,000 respectively (six months ended 30 June 2022: RMB513,000 and RMB513,000 respectively).

During the six months ended 30 June 2023, there are no early termination on lease agreement. During the six months ended 30 June 2022, the Group has early terminated one lease agreement for an office at a carrying amount of approximately RMB126,000 and a gain on early termination of RMB11,000 was recognised in profit or loss.

As at 30 June 2023, the carrying amounts of the Group's right-of-use assets in relation to premises is RMB1,111,000 (31 December 2022: RMB467,000).

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 2023 which comprised of guaranteed cash value of RMB950,000 (31 December 2022: RMB923,000) together with accumulated annual dividends and its accrued interests of RMB34,000 (31 December 2022: RMB30,000).

The financial asset at FVTPL is denominated in HK\$ and the fair value is determined by reference to the net cash value as provided by the insurance company.

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables	5,977	5,569
Less: expected credit losses ("ECL") allowance	(3,570)	(3,975)
	2,407	1,594
Prepayments and other receivables		
Prepaid expenses	2,799	1,978
Rental and other deposits	2,477	2,640
Other receivables	997	789
Less: ECL allowance	(523)	(523)
	5,750	4,884
	8,157	6,478

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

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
0–90 days	2,067	1,403
91–180 days	227	31
181–365 days	—	160
Over 365 days	113	—
	2,407	1,594

12. TRADE AND OTHER PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables	16,249	11,781
Accrued charges and other payables		
Accrued expenses	5,297	5,559
Deposits received	719	1,029
Other tax payables	895	871
Other payables	117	47
	7,028	7,506
	23,277	19,287

The Group was granted by its suppliers credit periods ranging from 0 to 90 days (31 December 2022: 0 to 90 days). Based on the date of goods received, the ageing analysis of trade payables is as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
0–90 days	16,058	11,578
91–180 days	15	1
181–365 days	—	4
Over 365 days	176	198
	16,249	11,781

13. SHARE CAPITAL

	Number of shares	RMB'000
Authorised: Ordinary shares of HK\$0.01 each As at 31 December 2022 and 30 June 2023	1,110,000,000	9,243
Issued and fully paid: Ordinary shares of HK\$0.01 each As at 31 December 2022 and 30 June 2023	560,000,000	4,470

14. RELATED PARTY TRANSACTIONS

Other than as disclosed in these unaudited condensed consolidated interim financial statements, the Group entered into the following material related party transactions during the six months ended 30 June 2023.

(a) Transactions with related parties

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Rental paid to a related company				
– Unigrade International Limited (Note a)	15	14	29	27

Note:

- (a) Unigrade International Limited is a related company controlled by Mr. Sammy Yau, Mr. Sonny Yau, Mr. Fred Yau and Mr. Nicholas Yau.

(b) Key management personnel remuneration

	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Salaries, allowances and other benefits	415	395	897	854
Contributions to retirement benefit schemes	13	15	32	30
	428	410	929	884

BUSINESS REVIEW

During the six months ended 30 June 2023, the Group recorded a revenue of approximately RMB61.7 million, which represents an increase of approximately 52.0% as compared to the same period of 2022. The main reason for the increase was attributable to the strong rebound of revenue in the sales of luggage and travel accessories after the reopening of China since January of 2023. The quarterly revenue rise by approximately 32.5% and 72.5% respectively among the first quarter and second quarter compared to the corresponding periods last year.

As China releases travel measures, the long-awaited travellers start their travelling from local to overseas. The Group witnessed the first wave of sale jump in luggage and travel accessories. The revenue rose by RMB13.7 million from RMB6.8 million to RMB20.5 million during the first half of 2023. The sale volume and profitability are greatly improved. This business segment has returned to profitability.

For women's handbag, the Group has resumed our marketing activities. The recovery was rather stable as the consumers in China have been cautious in consumption. The uncertainty arising from the property market and tension on Sino-US relationship, as well as rising unemployment rate among the youth, led to more conservative attitude in consumption. Compared to the high revenue growth of 201.5% in luggage and travel accessories, women's handbag increased by RMB7.3 million, or 21.7% only.

The Group's revenue is principally derived from online retail sales representing 89.0% sales. Together with wholesales to online retailers, they account for 99.3% sales in total. The revenue from online retail sales and wholesales to online retailers rose by 44.6% and 173.9% respectively during the first half of 2023.

In terms of revenue among the brands of ELLE and Jessie & Jane, the distribution mix is approximately 98.1% and 1.9% respectively in the first half of 2023, compared to 91.5% and 8.5% in the same period of 2022. While the revenue of Jessie & Jane decreased by 65.3%, the revenue of ELLE rose by 62.7%.

FUTURE PROSPECTS

Despite the growth momentum was lower than our expectation in the second quarter, the management is cautiously optimistic on the businesses in the second half of 2023.

The appetite of travelling has been strong, and more travellers are anticipated in the coming months. The demands for luggage & travel accessories have been on the upward trend. Our business partner has geared up marketing plans to capitalise the business opportunities.

Also, the Chinese government has put forward various measures and incentive schemes to strength market confidence and boost consumption. As such, the Group will continue in driving online sales for women's handbags through close collaboration with our key online platform partners, mainly in social media platforms. Our marketing strategy in 2023 continues to focus more on short videos and livestreaming, highlighting both the aesthetics and functionalities of our products. With a somewhat inconsistent consumer market recovery, the Group appeals to our customers the need for new silhouettes with different material or features to replace old ones.

Our marketing team is paying more attention to early customer feedback and response through clicks and comments in product pre-launches. This assists to fine tune our marketing and promotion activities. With high costs and risks involved in celebrities, the Group is co-operating with key opinion leaders ("KOLs") of different backgrounds in promoting our products. Their input on product optimisation will also be considered and implemented.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately RMB21.1 million, or 52.0%, from approximately RMB40.6 million for the six months ended 30 June 2022 to approximately RMB61.7 million for the six months ended 30 June 2023. For the second quarter, the Group's revenue increased by approximately RMB14.1 million, or 72.7%, from approximately RMB19.4 million for the three months ended 30 June 2022 to approximately RMB33.5 million for the same period in 2023.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately RMB9.5 million, or 41.7%, from approximately RMB22.8 million for the six months ended 30 June 2022 to approximately RMB32.3 million for the six months ended 30 June 2023. The increase was largely attributable to the 52.0% revenue growth during the period.

Our gross profit margin for the six months ended 30 June 2023 and 2022 were approximately 52.3% and 56.1% respectively. The gross profit margin decreased by 3.8 percentage point largely because of clearance sales conducted in April and June 2023.

Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately RMB6.2 million, or 25.9%, from approximately RMB23.9 million for the six months ended 30 June 2022 to approximately RMB30.1 million for the six months ended 30 June 2023. The increase was mainly attributable to higher (i) online shop marketing expenses, (ii) commission, (iii) royalty and (iv) transportation expense for the period. These increased expenses were directly related to higher revenue in the period.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses decreased by approximately RMB900,000, or 11.1%, from approximately RMB8.1 million for the six months ended 30 June 2022 to approximately RMB7.2 million for the six months ended 30 June 2023. During the period, the foreign exchange loss was RMB491,000 lower than same corresponding period in 2022.

Income Tax Expense

The Group's income tax expense was nil as it incurred operating loss.

Loss for the Period

The loss for the period decreased by approximately RMB6.6 million, from approximately RMB9.9 million loss for the six months ended 30 June 2022 to approximately RMB3.3 million loss for the six months ended 30 June 2023. The decrease was attributable to higher revenue, smaller rise in selling & distribution expenses, reduced foreign exchange loss, and reversal of impairment losses on trade and other receivables for the period.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 30 June 2023,

- (a) the Group's total assets increased to approximately RMB50.6 million (31 December 2022: approximately RMB49.3 million) while the total equity changed to capital deficiency and decreased to approximately RMB665,000 (31 December 2022: approximately RMB2.4 million);
- (b) the Group's current assets increased to approximately RMB43.0 million (31 December 2022: approximately RMB42.1 million) while the current liabilities increased to approximately RMB46.2 million (31 December 2022: approximately RMB42.2 million);
- (c) the Group had approximately RMB7.8 million in cash and cash equivalents (31 December 2022: approximately RMB9.7 million), and the current ratio of the Group was approximately 0.9 times (31 December 2022: approximately 1.0 times);
- (d) the Group had bank borrowings of approximately RMB19.6 million (31 December 2022: approximately RMB21.0 million), leaving RMB44.3 million uncommitted banking facilities available for future utilisation; and
- (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 negative 3,648.1% (31 December 2022: approximately 1,053.0%).

The Company's shares are listed on GEM of the Stock 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, the current banking facilities and the additional support from the shareholders and a director, it has sufficient funds to finance business operations and meet the financial obligations in the near future.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities.

SIGNIFICANT INVESTMENTS

As at 30 June 2023, the Group did not hold any significant investments.

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

As at 30 June 2023, the Group did not have any assets pledged to secure general banking facilities.

FOREIGN CURRENCY EXPOSURE

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

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

HUMAN RESOURCES

As at 30 June 2023, the Group had 53 employees (30 June 2022: 58) 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 RMB4.8 million for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB5.0 million). The remuneration policies of the Group are formulated based on the Group's operating results, employees' individual performance, experience, respective responsibilities, merit, qualifications and competence, as well as comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly.

EVENTS AFTER THE REPORTING DATE

As from 30 June 2023 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 2023, 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 Stock 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 Stock 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%

Note: 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 2023, 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 Stock 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 Stock 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 2023, 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 Stock 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%

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 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 2023, 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 2023 (2022: 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 (the “**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 2023.

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 2023.

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 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2023, 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 2023, 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 2023.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct (the "**Code of Conduct**") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors that all the Directors have complied with the Code of Conduct for the six months ended 30 June 2023 and up to the date of this report.

AUDIT COMMITTEE

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

The Audit Committee comprises three members, all being Independent Non-executive Directors, namely Mr. Won Chik Kee (chairman of the Audit Committee), Mr. Feng Dai and Ms. Sit Ting Fong. It has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing and financial reporting matters, including review of the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023.

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

Hong Kong, 10 August 2023

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