Sling Group Holdings Limited
森 浩 集 團 股 份 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8285)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on Main Board of the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

HIGHLIGHTS OF ANNUAL RESULTS

- The total revenue of the Group for the year ended 31 December 2023 amounted to RMB128.1 million, an increase of 33.3% or RMB32.0 million, as compared to RMB96.1 million for the year ended 31 December 2022.

- The Group for the year ended 31 December 2023 incurred loss of RMB7.3 million, compared to RMB17.1 million loss for the year ended 31 December 2022. Deferred tax charge of RMB1.7 million and Re-measurement of put option liability of RMB2.3 million were recorded during the year.

- Online businesses, including both online retail sales and wholesale to online retailers, recorded a total revenue of RMB126.5 million, representing 33.2% increase compared to the year ended 31 December 2022. In particular, online retail sales amounted to RMB117.1 million, representing 37.0% increase compared to the year ended 31 December 2022. These online businesses accounted for 98.7% of total revenue.

- Offline businesses, including both retail sales and wholesale to offline retailers, rose to RMB1.6 million, representing 45.5% increase compared to the year ended December 2022. While wholesale to offline retailers dropped by RMB0.3 million, offline retail sales rose by RMB0.8 million.

- The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2023.

RESULTS

The Board of Sling Group Holdings Limited (the "Company") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023, together with the comparative figures for the preceding year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Revenue	*4*	**128,109**	96,070
Cost of sales		**(60,622)**	(44,189)
Gross profit		**67,487**	51,881
Other revenue and other income	*5*	**3,054**	2,646
Reversal of/(Impairment losses on) trade and other receivables, net		**840**	(1,287)
Re-measurement of put option liability	*15*	**(2,313)**	23
Selling and distribution costs		**(59,636)**	(52,577)
Administrative and other operating expenses		**(13,563)**	(17,374)
Finance costs	*6*	**(1,422)**	(655)
Loss before income tax	*7*	**(5,553)**	(17,343)
Income tax (expenses)/credit	*8*	**(1,703)**	210
Loss for the year		**(7,256)**	(17,133)
Other comprehensive income			
Items that may be reclassified subsequently to the profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**164**	1,475
Total comprehensive loss for the year		**(7,092)**	(15,658)

	Notes	**2023** **RMB'000**	2022 RMB'000
Loss for the year attributable to:			
Equity holders of the Company		**(8,249)**	(16,296)
Non-controlling interests		**993**	(837)
		(7,256)	(17,133)
Total comprehensive loss for the year attributable to:			
Equity holders of the Company		**(8,085)**	(14,821)
Non-controlling interests		**993**	(837)
		(7,092)	(15,658)
		RMB cents	*RMB cents*
Loss per share attributable to equity holders of the Company			
Basic and diluted	*10*	**(1.47)**	(2.91)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**2,429**	814
Intangible assets		**2,274**	2,392
Financial asset at fair value through profit or loss ("FVTPL")		**1,109**	953
Deferred tax assets		**1,383**	3,086
		7,195	7,245
Current assets			
Inventories		**23,878**	25,581
Trade and other receivables	*11*	**10,175**	6,478
Amounts due from shareholders		**9**	9
Income tax recoverable		**372**	372
Cash and bank balances	*12*	**7,445**	9,659
		41,879	42,099
Current liabilities			
Trade and other payables	*13*	**18,241**	19,287
Contract liabilities		**3,686**	1,500
Bank borrowings	*14*	**18,133**	20,963
Amount due to the then immediate holding company		**—**	8
Lease liabilities		**935**	244
Put option liability	*15*	**2,473**	—
Income tax payable		**202**	234
		43,670	42,236
Net current liabilities		**(1,791)**	(137)
Total assets less current liabilities		**5,404**	7,108

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Non-current liabilities			
Lease liabilities		**907**	227
Loans from shareholders	*16*	**7,439**	3,573
Loan from a director	*16*	**831**	893
		9,177	4,693
Net (liabilities)/assets		**(3,773)**	2,415
EQUITY			
Share capital	*17*	**4,470**	4,470
Reserves	*18*	**(7,176)**	5
(Capital deficiency)/Equity attributable to equity holders of the Company		**(2,706)**	4,475
Non-controlling interests		**(1,067)**	(2,060)
(Capital deficiency)/Total equity		**(3,773)**	2,415

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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 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 ("BVI") and controlled by Mr. Yau Tai Leung Sammy ("Mr. Sammy Yau"), Mr. Yau Sonny Tai Nin ("Mr. Sonny Yau"), Mr. Yau Frederick Heng Chung ("Mr. Fred Yau"), Mr. Yau Nicholas Heng Wah ("Mr. Nicholas Yau") and Ms. Hiang Siu Wei Cecilia ("Ms. Cecilia Hiang").

The Company's shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 January 2018.

The consolidated financial statements for the year ended 31 December 2023 were approved for issue by the board of directors on 27 March 2024.

2. BASIS OF PREPARATION

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

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

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

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

Going concern basis

During the year ended 31 December 2023, the Group incurred a net loss of approximately RMB7,256,000 and net cash used in operating activities of approximately RMB2,407,000. The Group's operations are financed by bank borrowings, loans from related parties and internal resources. As at 31 December 2023, the Group had net current liabilities and capital deficiency of approximately RMB1,791,000 and approximately RMB3,773,000 respectively. The Group's cash and bank balances amounting to approximately RMB7,445,000 as at 31 December 2023. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In the opinion of the directors of the Company, the Group can meet its financial obligations as and when they fall due within the next year from the end of the reporting period, after taking into consideration of the measures and arrangements that the Group has implemented or is in the process of implementing as detailed below:

(i) During the year ended 31 December 2023, the Group's revenue increased to approximately RMB128,109,000 after the coronavirus "COVID-19" was over and pandemic related restrictions were lifted in the early year 2023. Compared to last year, the Group's net loss has been reduced to approximately RMB7,256,000 for the year ended 31 December 2023 but still has not turned into profitability under the impact of weaken economy in the People's Republic of China (the "PRC").

    Management has been continuously implementing measures to improve profitability, control operating costs and reduce capital expenditures in order to improve the Group's performance. These measures include (i) focusing on online marketing; (ii) collaborating with key e-commerce service providers; and (iii) continuing its measures to control capital and operating expenditures;

(ii) As at 31 December 2023, the Group has bank borrowings classified as current liabilities of RMB18,133,000, of which RMB11,781,000 are revolving bank loans. The banks have the discretionary rights to demand for immediate repayment. Up to the date of approval of these consolidated financial statements, the banks have shown the positive support on the Group and the Group has not received any demand notice from the banks for the repayment of the borrowing. The Group does not believe that it is probable that the banks will exercise their discretionary rights to demand for immediate repayment;

(iii) The Group is in negotiation with the banks to renew its existing financing facilities upon maturity, or to refinance the financing facilities when necessary. As at 31 December 2023, the Group has unutilised banking facilities with aggregate amount of RMB38,060,000; and

(iv) As at 31 December 2023, the Group's shareholders and a director agreed to extend the original loans from shareholders and a director of RMB3,324,000 and RMB831,000 (the "Loans 2022") (note 16) respectively to twenty-four months and repayable in December 2025. The Loans 2022 may further be extended by both parties in writing prior to expiry.

As at 31 December 2023, the Group has a new loan from a shareholder amounting to RMB4,115,000 (the "Loan 2023") (note 16) to support the operation of the Group. The Loan 2023 is repayable in December 2025, which is twenty-four months after the drawdown date. The Loan 2023 may be extended by both parties in writing prior to expiry.

The directors of the Company have reviewed the Group's cash flows forecast prepared by management which covers a period of eighteen months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient cash resources to satisfy its working capital and other financial obligations for the next eighteen months from the end of the reporting period after having taken into account of the Group's projected cash flows, current financial resources and capital expenditure requirements with respect to the development of its business. Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2023 on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows in the near future and obtain the continuous financial support from the banks and the lenders.

Should the going concern assumption be inappropriate, adjustments may have to be made to write down the carrying values of assets to their recoverable amounts, to provide for any further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 New and amended HKFRSs that are effective for annual periods beginning on or after 1 January 2023

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2023:

HKFRS 17	Insurance Contracts and 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 the 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, with any cumulative effect recognised as an adjustment to retained profits at that date.

The amendments have no impact on the consolidated financial statement of the Group as no temporary difference between accounting based and tax based.

3.2 Issued but not yet effective HKFRSs

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement[1]
Amendments to HKAS 21	Lack of Exchangeability [2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective date not yet determined

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

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current” (“2020 Amendments”) and related amendments to Hong Kong Interpretation 5 and Amendments to HKAS 1 “Non-current Liabilities with Covenants” (“2022 Amendments”)

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

- It clarifies that a liability is non-current if an entity have a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at the date or at a later date;

- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and

- “Settlements” are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity’s own equity instruments. Thus, if the counterparty conversion option is classified as liability under HKAS 32 “Financial Instruments: Presentation”, the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with HKAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liability is current or non-current.

2022 Amendments issued in 2022 clarified that only covenants of a liability arising from a loan arrangement, which an entity must comply with on or before the reporting date (even if the covenant is only assessed after the reporting date) affect the classification of that liability as current or non-current. Those covenants to be complied with after the reporting date do not affect such classification at the reporting date.

Besides, the 2022 Amendments required an entity to provide additional disclosure when a liability arising from a loan agreement is classified as non-current and the entity’s right to defer settlement is contingent on compliance with future covenants within twelve months.

The 2022 Amendments also deferred the effective date of the 2020 Amendments to the annual reporting periods beginning on or after 1 January 2024, in which both amendments are to be applied as a package and apply retrospectively. Earlier application is permitted.

Based on the assessment completed up to date, the Group has identified the following liabilities which may be affected by the amendments:

Bank loan drawn under revolving loan facility

As at 31 December 2023, an unsecured bank loan of RMB11,781,000 was drawn a revolving loan facility was classified as a current liability as it would mature in first half of 2024. According to the terms in the revolving loan facility, the Group has the right to roll over the loan for another year. Under the 2020 and 2022 Amendments, the loan would be classified as non-current liabilities as seen from 31 December 2023, as covenants to be fulfilled after the end of the reporting period would not affect the classification of a liability as current or non-current and hence the Group has the right to roll over the loan and defer settlement of the loan for at least twelve months after the end of the reporting period under the revolving loan facility.

Loans from shareholders/a director

As at 31 December 2023, loans from shareholders/a director of RMB8,270,000 were drawn loan agreements were classified as a non-current liability as it would mature in December 2025. According to the terms in the loan agreements, the loans can be mutually agreed between the Group and borrowers for defer repayment. The Group has no right to defer settlement of the loans for at least twelve months from the end of the reporting period. Under the 2020 and 2022 Amendments, the loans would be classified as current as seen from 31 December 2023, as the Group has no right to defer settlement of the loans for at least twelve months after the end of the reporting period under the loan agreements.

3.3 New HKICPA guidance on the accounting implication of the MPF-LSP offsetting mechanism

In June 2022, the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will take effect on 1 May 2025 (the "Transition Date"). The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset LSP in respect of an employee's service from the Transition Date (the "Abolition"). In addition, the last month's salary immediately preceding the Transition Date is used to calculate the portion of the LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" ("the Guidance") that provides guidance for the accounting for the offsetting mechanism and the impact arising from the abolition of the MPF-LSP offsetting mechanism.

By following the Guidance, the Group has changed its accounting policy in connection with its LSP obligations. As a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contribution after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, the Group reattribute the deemed employee contributions to periods of service in the same manner as the gross LSP benefit by applying paragraph 93(a) of HKAS 19. This change in accounting policy did not have any material impact on the opening balance of equity at 1 January 2022, and the losses per share amounts for the year ended 31 December 2022. It also did not have a material impact on the company-level statements of financial position as at 31 December 2022 and 31 December 2023.

4. REVENUE AND SEGMENT REPORTING

4.1 Revenue

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

Disaggregation of revenue from contracts with customers

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

	2023	2022
	RMB'000	*RMB'000*
Online retail sales	**117,084**	85,487
Wholesale to online retailers	**9,387**	9,462
Wholesale to offline retailers	**107**	416
Offline retail sales	**1,531**	705
	128,109	96,070

4.2 Segment information

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

Geographical information

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

	2023	2022
	RMB'000	*RMB'000*
Revenue from external customers		
The PRC (excluding Hong Kong)	**128,109**	96,070
Specified non-current assets		
The PRC (excluding Hong Kong)	**4,699**	3,206
Hong Kong	**4**	—
	4,703	3,206

Information about major customers

During the year ended 31 December 2023, none of the Group's customers (2022: Nil) contributed more than 10% of the Group's revenue.

5. OTHER REVENUE AND OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Other revenue		
Service income	**1,867**	1,568
Bank interest income	**35**	58
Dividend and interest income from financial asset at FVTPL	**8**	6
	1,910	1,632
Other income		
Fair value gain on financial asset at FVTPL	**133**	121
Gain on early termination for lease	**—**	11
COVID-19-related rent concessions received *(note (i))*	**—**	53
Government grants *(note (ii))*	**625**	601
Sundry income	**386**	228
	1,144	1,014
	3,054	2,646

Notes:

(i) The Group has adopted Amendments to HKFRS 16 "Covid-19-Related Rent Concessions" and "Covid-19-Related Rent Concessions beyond 30 June 2021" respectively and applied the practical expedients introduced by the amendments to all eligible rent concessions received by the Group. During the year ended 31 December 2022, the rent concessions received by the Group are in the form of a discount on fixed payments and rent free during the period of severe social distancing and travel restriction measures introduced to prevent the spread of COVID-19.

(ii) Government grants represented unconditional subsidies received from local governmental authorities by several subsidiaries of the Group.

6. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest charges on bank borrowings	**975**	619
Finance charges on lease liabilities	**51**	36
Bank charges	**2**	—
Imputed interest on put option liability	**160**	—
Effective interest in loans from shareholders and a director	**234**	—
	1,422	655

7. LOSS BEFORE INCOME TAX

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

	2023	2022
	RMB'000	*RMB'000*
Auditor's remuneration	**720**	729
Cost of inventories recognised as an expense	**60,102**	43,692
(Reversal of)/Write-down of inventories to net realisable value, net	**(5,518)**	1,533
Fair value gain on financial asset at FVTPL	**(133)**	(121)
Exchange losses, net	**552**	3,062
Gain on early termination for lease	**—**	(11)
Amortisation of intangible assets	**118**	208
Depreciation of property, plant and equipment		
— Owned assets	**267**	340
— Right-of-use assets	**698**	458
Total depreciation	**965**	798
Staff costs (including directors' emoluments)		
— Salaries, allowances and other benefits *(note 16)*	**7,726**	8,400
— Contributions to retirement benefit schemes *(note)*	**2,064**	2,051
Total staff costs	**9,790**	10,451
Operating lease charges on premises		
— Short-term leases	**332**	707
— COVID-19-related rent concession received *(note 5)*	**—**	(53)
Total lease charges	**332**	654

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

8. INCOME TAX EXPENSES/(CREDIT)

For the years ended 31 December 2023 and 2022, Hong Kong Profits Tax has not been provided in the consolidated financial statements as no assessable profits subject to Hong Kong Profits Tax.

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% (2022: 25%) on the estimated assessable profits for the year arising from the PRC.

From 1 January 2023 to 31 December 2024, under relevant PRC EIT Law, for PRC enterprises that qualifies for small enterprises, annual taxable income below RMB1 million will be subject to an effective rate of 5%.

From 1 January 2022 to 31 December 2024, under relevant PRC EIT Law, for PRC enterprises that qualifies for small enterprises, annual taxable income exceeds RMB1 million but does not exceed RMB3 million, the RMB1 million portion will be subject to an effective rate of 5%.

	2023	2022
	RMB'000	*RMB'000*
Current tax		
PRC EIT	**—**	—
Deferred tax		
— Debited/(Credited) to the profit or loss	**1,703**	(210)
Income tax expenses/(credit)	**1,703**	(210)

Reconciliation between income tax expenses/(credit) and accounting loss at applicable tax rates:

	2023	2022
	RMB'000	*RMB'000*
Loss before income tax	**(5,553)**	(17,343)
Tax on loss before income tax, calculated at the rates applicable in the tax jurisdiction concerned	**(1,368)**	(4,009)
Tax effect on:		
— Non-deductible expenses	**2,454**	1,235
— Non-taxable income	**(1,403)**	(37)
— Recognition of deductible temporary differences previously not recognised	**(6)**	(1)
— Tax losses not recognised	**2,124**	2,628
— Tax losses utilised	**(98)**	(26)
Income tax expenses/(credit)	**1,703**	(210)

9. DIVIDENDS

No dividend was declared or paid by the Group during the year ended 31 December 2023 to its equity holders (2022: Nil).

10. LOSS PER SHARE

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

	2023	2022
Loss		
Loss for the year attributable to equity holders of the Company *(in RMB'000)*	**8,249**	16,296
Number of shares		
Weighted average number of ordinary shares	**560,000,000**	560,000,000

The weighted average number of ordinary shares used to calculate the basic loss per share for the years ended 31 December 2023 and 2022 represents 560,000,000 ordinary shares in issue throughout the years.

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

11. TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**7,463**	5,569
Less: Expected credit loss ("ECL") allowance	**(3,135)**	(3,975)
	4,328	1,594
Prepayments and other receivables		
Prepaid expenses	**2,590**	1,978
Rental and other deposits	**1,414**	1,640
Other receivables	**1,843**	1,789
Less: ECL allowance	**—**	(523)
	5,847	4,884
	10,175	6,478

As at 31 December 2023 and 2022, prepaid expenses mainly comprised of marketing and advertising fee prepaid, online shop expenses prepaid and royalty fee prepaid.

As at 31 December 2023 and 2022, rental and other deposits mainly comprised of the deposits paid to online platforms for services deposits and rental deposits.

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

	2023	2022
	RMB'000	*RMB'000*
0–90 days	**4,294**	1,403
91–180 days	**26**	31
181–365 days	**8**	160
	4,328	1,594

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

	2023	2022
	RMB'000	*RMB'000*
As at 1 January	**3,975**	2,688
ECL recognised during the year	**139**	1,900
ECL reversed during the year	**(979)**	(613)
As at 31 December	**3,135**	3,975

The movement in the gross amounts of other receivables is as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As at 1 January 2022	3,212	—	—	3,212
Additions	704	—	—	704
Amounts recovered during the year	(487)	—	—	(487)
Transfers	(523)	523	—	—
As at 31 December 2022 and 1 January 2023	**2,906**	**523**	**—**	**3,429**
Additions	**1,180**	**—**	**—**	**1,180**
Amounts recovered during the year	**(829)**	**—**	**—**	**(829)**
Amounts written off during the year	**—**	**(523)**	**—**	**(523)**
As at 31 December 2023	**3,257**	**—**	**—**	**3,257**

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

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2022	523	—	—	523
Transfers	(523)	523	—	—
As at 31 December 2022 and 1 January 2023	**—**	**523**	**—**	**523**
Amounts written off during the year	**—**	**(523)**	**—**	**(523)**
As at 31 December 2023	—	—	—	—

12. CASH AND CASH EQUIVALENTS

	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances	**7,445**	9,659

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

Included in cash and cash equivalents of the Group of approximately RMB2,394,000 (2022: RMB4,995,000) as at 31 December 2023 are the balances denominated in RMB placed with banks and financial institutions in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

13. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**12,206**	11,781
Accrued charges and other payables		
Accrued expenses	**4,585**	5,559
Deposits received	**651**	1,029
Other tax payables	**764**	871
Other payables	**35**	47
	6,035	7,506
	18,241	19,287

As at 31 December 2023 and 2022, accrued expenses mainly represents accrued commission, accrued management fee, accrued legal and professional fee and accrued courier fee.

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

	2023	2022
	RMB'000	*RMB'000*
0–90 days	**11,815**	11,578
91–180 days	**116**	1
181–365 days	**—**	4
Over 365 days	**275**	198
	12,206	11,781

14. BANK BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Carrying amount repayable *(note)*		
Within one year	**14,555**	16,674
In the second year	**802**	762
In the third to fifth year	**2,536**	2,461
After the fifth year	**240**	1,066
Total carrying amount	**18,133**	20,963
Less:		
— Amount due within one year	**(13,781)**	(15,935)
— Amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**(4,352)**	(5,028)
Carrying amount shown under non-current liabilities	**—**	—

Note: The amounts are based on the scheduled repayment dates set out in the loan agreements.

As at 31 December 2023, unsecured bank borrowings of RMB13,781,000 (2022: RMB15,935,000) are repayable within one year or on demand. The bank borrowings bear variable interest rate at 1.75% over HIBOR and 3.65% (2022: 1.75% over HIBOR and 3.7%) per annum.

As at 31 December 2023, unsecured bank borrowings of RMB4,352,000 (2022: RMB5,028,000) are repayable more than five years (2022: more than five years) or on demand and bear variable interest rate at 2.5% (2022: 2.5%) per annum below the Hong Kong Dollars Prime Rate. The bank borrowings were guaranteed by the personal guarantees given by Mr. Sammy Yau and Mr. Sonny Yau, the non-executive directors of the Company and HKMC Insurance Limited.

15. PUT OPTION LIABILITY

	2023	2022
	RMB'000	*RMB'000*
Sencai Maoyi (Shanghai) Company Limited ("Sencai Maoyi")		
As at 1 January	**—**	23
Imputed interest	**160**	—
Re-measurement	**2,313**	(23)
As at 31 December	**2,473**	—

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

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

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

The increased in put option liability due to the Group has considered that the performance in Sencai Maoyi is improved based on the latest situation of business operation as at 31 December 2023.

The decreased in put option liability due to the Group has considered the latest situation of business operation in Sencai Maoyi in re-measuring the result of the change in the expected performance as at 31 December 2022.

16. LOANS FROM SHAREHOLDERS/A DIRECTOR

	2023	2022
	RMB'000	*RMB'000*
Shareholders		
Mr. Sammy Yau *(note a)*	**1,662**	1,787
Mr. Sonny yau *(note a)*	**1,662**	1,786
Mr. Fred Yau *(note c)*	**4,115**	—
	7,439	3,573
A director		
Mr. Lee Tat Fai Brian *(note b)*	**831**	893

Notes:

(a) Mr. Sammy Yau and Sonny Yau are also non-executive directors of the Company.

(b) Mr. Lee Tat Fai Brian is an executive director and chief executive officer of the Company.

(c) Mr. Fred Yau is an executive director, chairman and controlling shareholder of the Company.

As at 31 December 2023, the Loan 2023 amounting of RMB4,115,000 is non-trade in nature, unsecured, interest-bearing at 1% per annum and repayable in December 2025, which was twenty-four months after drawdown date.

As at 31 December 2022, the Loans 2022 amounting of RMB4,466,000 was non-trade in nature, unsecured, interest-bearing at 1% per annum and repayable in June 2024, which was eighteen months after drawdown date.

During 31 December 2023, the Loans 2022 is extended at the same terms by both parties to twenty-four months and repayable in December 2025. The Loans 2022 and the Loan 2023 are carried at amortised cost using the effective interest method. The effective interest rate applied are 5.98% per annum. The difference of the principal and the fair value of the Loans 2022 and the Loan 2023 at initial recognition amounting to approximately RMB904,000 and RMB122,000 are credited as deemed contribution from shareholders in equity and deemed employment benefits in profit or loss is included in administrative and other operating expenses respectively.

17. SHARE CAPITAL

	2023		2022	
	Number of shares	***RMB'000***	*Number of shares*	*RMB'000*
Authorised:				
Ordinary shares of HK$0.01 each as at 31 December	**1,110,000,000**	**9,243**	1,110,000,000	9,243
Issued and fully paid:				
Ordinary share of HK$0.01 as at 1 January and 31 December	**560,000,000**	**4,470**	560,000,000	4,470

18. RESERVES

The amounts of the Group's reserves and the movements during the years ended 31 December 2023 and 2022 are presented in the consolidated statement of changes in equity.

Share premium

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

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

Capital reserve

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

Statutory reserve

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

Put option reserve

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

BUSINESS REVIEW

As the coronavirus "COVID-19" was over and pandemic related restrictions were lifted in the early 2023, the issues in supply chain, distribution and logistics have been resolved in China. The impact of weaken economy is however lingering to the economy. Also, the geopolitical tension with the United States and burst of real estate bubble have a negative impact on local consumption. Given much slower income growth and gradual higher unemployment, particularly among the youth, the consumers in China have generally been cautious in spending and have been saving more at a historical rate. Instead of purchasing merchandises, they are more willing to spend on experience consumption such as travelling, movies, catering, etc. Post pandemic economic recovery was slower than expected.

For the year of 2023, the Group has encountered an uneven performance among the business sections of women's handbags and travel and accessories. Increasing number of travellers has resumed their travelling activities, initially in China and subsequently to other countries. As such, the demands for travel and accessory items have increased significantly. The revenue rose by RMB28.8 million from 20.3 million to RMB49.1 million, accounting for 38.3% of total revenue. The 141.9% revenue growth was impressive in a short period of time. During the year, the Group allocated additional resource, boosted marketing activities, and reshuffled the operation in this segment for supporting their business activities. This segment returns to profitability.

On the other hand, the recovery of women's handbags has been gradual. Like many other fashionable items, consumers' appetite for women's handbags were soft despite increased marketing effort. Besides essential items such as food, the consumers generally defer their purchases of consumer discretionary to later stage. Total revenue for women's handbags amounted to RMB79.0 million, compared to RMB75.8 million in 2022 of the revenue growth was 4.2%.

The Group adopts a strategy of focusing on online marketing. Collaborating with key e-commerce service providers, such as fast-growing social media platforms, and utilizing live streaming platforms are the effective ways to achieve sales and exposed our brands. The Group has regularly organized marketing programs with them to reach out to our targeted customers.

In terms of revenue among the brands which are ELLE and Jessie & Jane, the sale distribution was approximately 98.3% and 1.7% in 2023, compared to 93.2% and 6.8% in 2022 respectively. During the year, ELLE undergone 40.6% increase in revenue, but Jessie & Jane encountered 65.8% drop in revenue. Attributed by high sale growth in luggage and accessories, ELLE continues to occupy most of the revenue.

Principal Risks and Uncertainties

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

Market and Operational Risk

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

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

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

Financial Risk

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

Relationship with Key Stakeholders

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

FINANCIAL REVIEW

Revenue

The Group's total revenue increased by RMB32.0 million to RMB128.1 million (2022: RMB96.1 million).

In term of revenue by sales channels, the Group achieved RMB117.1 million sales from online retail sales (2022: RMB85.5 million), representing 91.4% of total sales (2022: 89.0%). Wholesale to online retailers slightly dropped to RMB9.4 million (2022: RMB9.5 million). Total sales related to these online businesses amounted to RMB126.5 million (2022: RMB95.0 million), representing an increase of 33.2% compared to 2022. Online businesses amounted to 98.7% of total sales (2022: 98.9%).

Offline retail sales slightly increased to RMB1.5 million (2022: RMB0.7 million). Wholesale to offline retailers further declined to RMB0.1 million (2022: RMB0.4 million). These offline businesses recorded total sales of RMB1.6 million (2022: RMB1.1 million). The offline businesses recorded increased by 45.5%. Offline businesses amounted to 1.3% of total sales (2022: 1.1%).

Among the distribution channels, the revenue of wholesale to offline and wholesale to online retailers dropped by 74.3% and 0.8% respectively. While online retail sales and offline retail sales rose by approximately 37.0% and 117.2% respectively, the largest increase in revenue rested on online retail sales, accounting for RMB31.6 million.

	2023		2022		Increase/ (Decrease)	Raise/ (Drop) rate
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Online Sales						
Online retail sales	**117,084**	**91.4%**	85,487	89.0%	31,597	37.0%
Wholesale to online retailers	**9,387**	**7.3%**	9,462	9.9%	(75)	(0.8%)
Offline Sales						
Offline retail sales	**1,531**	**1.2%**	705	0.7%	826	117.2%
Wholesale to offline retailers	**107**	**0.1%**	416	0.4%	(309)	(74.3%)
	128,109	**100.0%**	96,070	100.0%	32,039	33.3%

Revenue generated from ELLE products increased to RMB125.9 million (2022: RMB89.6 million) with the revenue mainly from women handbag. Also, Jessie & Jane products witnessed reduced sale. The sales of Jessie & Jane products decreased to RMB2.2 million (2022: RMB6.5 million).

	2023		2022		Increase/ (Decrease)	Raise/ (Drop) rate
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
ELLE	**125,886**	**98.3%**	89,563	93.2%	36,323	40.6%
Jessie & Jane	**2,223**	**1.7%**	6,507	6.8%	(4,284)	(65.8%)
	128,109	**100.0%**	96,070	100.0%	32,039	33.3%

The Group's revenue rose by approximately RMB32.0 million, or 33.3%, from approximately RMB96.1 million in 2022 to approximately RMB128.1 million in 2023. As the COVID-19 officially ends in China since the first quarter of 2023, the demands for both luggage and accessories, as well as women's handbags, have picked up and thus contributed to the sale growth. Our strategy of focusing online marketing worked well. Online retail revenue jumped by 37.0%, mainly attributable to the increased sales in luggage and accessories. With the same reason, the revenue under ELLE grew by 40.6%, accounting for 98.3% of total sales.

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

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately RMB15.6 million, or 30.1%, from approximately RMB51.9 million to approximately RMB67.5 million. The increase was mainly attributable to the rise in revenue. Our gross profit margin for 2023 and 2022 were approximately 52.7% and 54.0% respectively, which represent 1.3% gross profit margin drop. Due to a number of clearance sales on aged stock and intense price competition, the overall gross profit margin of the Group was affected.

Selling and Distribution Costs

The Group's selling and distribution costs increased by approximately RMB7.0 million, or 13.3%, from approximately RMB52.6 million to approximately RMB59.6 million. The increase was mainly attributable to higher expenses in (i) marketing shop expenses, (ii) delivery costs and (iii) sale commission. To capture the business opportunities in the recovering luggage & accessories market segment, more marketing support was allocated. Also, as the volume of sale activities increased, corresponding variable selling and distribution costs, including delivery costs, sale commission, and royalty rose accordingly. To contain marketing costs in total, marketing expenses and advertising were restricted to minimal to support necessary marketing activities.

Administrative and Other Operating Expenses

The Group's administrative and other operating expenses was reduced by approximately RMB3.8 million, or 21.8%, from approximately RMB17.4 million to approximately RMB13.6 million. The decline was mainly attributable to lower foreign exchange loss arising from unfavourable RMB movement.

FINANCIAL RESOURCES, LIQUIDITY AND GEARING RATIO

As at 31 December 2023,

(a) the Group's total assets decreased to approximately RMB49.1 million (2022 approximately RMB49.3 million) while the total equity decreased to a deficit of approximately RMB3.8 million (2022: approximately equity of RMB2.4 million);

(b) the Group's current assets decreased to approximately RMB41.9 million (2022: approximately RMB42.1 million) while the current liabilities increased to approximately RMB43.7 million (2022: approximately RMB42.2 million);

(c) the Group had approximately RMB7.4 million in cash and cash equivalents (2022: approximately RMB9.7 million), and the current ratio of the Group was approximately 0.96 times (2022: approximately 1.0 times);

(d) the Group had bank borrowings of approximately RMB18.1 million (2022: approximately RMB21.0 million), leaving RMB38.1 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 not applicable (2022: approximately 1,053.0%).

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 profile of bank borrowings, and free cash on hand. In 2022, the shareholders and a director in total have provided a RMB4.5 million (equivalent to HK$5 million) loan to the Group to strengthen working capital. For the year in 2023, the shareholder has further provided a RMB4.1 million (equivalent to HK$5 million) to the Group for the same purpose.

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 internal operations and meet the financial obligations.

CAPITAL EXPENDITURE

During the year ended 31 December 2023, the Group invested approximately RMB2,353,000 (2022: RMB513,000) and nil (2022: RMB16,000) on the acquisition of property, plant and equipment (including right-of-use assets) and intangible assets respectively. Capital expenditure was principally funded by internal resources.

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

Save as disclosed in note 15 to the consolidated financial statements, the Group had no significant investments, material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2023 (2022: Nil).

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no material contingent liabilities or off-balance sheet obligation (2022: Nil).

INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS

Save as disclosed in note 14 to the consolidated financial statements, as at 31 December 2023, the Group did not have any assets pledged to secure general banking facilities (2022: Nil).

PROSPECT

Despite the expectation of strong rebound in consumption did not realize throughout the year in 2023, the Group anticipates improving consumption in year 2024. The economy in China is more settled after the Chinese government and private enterprises taking months of adjustment. Recently, the Chinese government has put forward a list of initiatives to stimulate domestic consumption. Also, the US federal reserve might start interest rate reduction in the second half of year 2024. All these will motivate consumers to spend more and save less.

The Group spotlights two micro trends that have an impact on our business, which are increasingly price sensitive and positive feedback on interactions with consumers. Large B2C platforms, which focus on quality and service, have been losing market share to low price B2C platforms. Video and livestreaming continue to transform e-commerce to a more dynamic shopping experience with more interaction between sellers and buyers.

To ride on the anticipated development, the Group is focused in providing the best value proposition to our customers and streamlining our supply chain and pass on these savings to our consumers. We are providing a few more product lines in cotton and denim so that more affordable merchandises are offered in our online shops. We also develop more high quality marketing videos and provide more training to our livestream presenters so that they could better present the features and benefits of our products. We allocate more resources collecting customer feedback and comments during livestreaming and after transactions so as to make changes and improvement to better serve them. By implementing all of these, the Group is positive that our business will further recover in year 2024.

FOREIGN CURRENCY EXPOSURE

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

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

HUMAN RESOURCES

As at 31 December 2023, the Group had 49 employees (2022: 54) 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 RMB9.8 million for the year ended 31 December 2023 (2022: RMB10.5 million). The remuneration packages of the Group's employees include salaries, bonus, retirement benefit scheme contributions and other benefits. The remuneration policies of the Group, including promotion, bonus, salary increment and other benefits, are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly. The dedication and hard work of the Group's staff during the year ended 31 December 2023 are generally appreciated and recognized.

FINAL DIVIDEND

The board of directors does not recommend the payment of a final dividend for the year ended 31 December 2023. (2022: Nil)

ANNUAL GENERAL MEETING

The Annual General Meeting ("the AGM") of the Company will be held on 20 June 2024 (Thursday). The notice of AGM, which constitutes part of the circular to shareholders, will be sent together with the 2023 Annual Report in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the identity of the Shareholders who are entitled to attend and vote at the AGM, the register of members of the Company will be closed from 17 June 2024 to 20 June 2024, both days inclusive during which period no share transfer will be registered. In order to be eligible for attending the AGM, all completed transfer forms accomplished by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on 14 June 2024.

CORPORATE GOVERNANCE CODE

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "CG Code") as set out in Appendix C1 (formerly known as Appendix 15) of the GEM Listing Rules. During the year ended 31 December 2023 period, the Company has complied with the applicable code provisions of the CG Code.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct ("Code of Conduct") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the year ended 31 December 2023 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

MATERIAL EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, there were no material events after the year ended 31 December 2023.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2023.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2023 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on the preliminary announcement.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report from the independent auditor of the Group on the consolidated financial statements of the Group for the year ended 31 December 2023.

Material Uncertainty Related to Going Concern

We draw attention to note 2 to the consolidated financial statements, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the website of the Stock Exchange at www.hkgem.com and on the Company's website at www.sling-inc.com.hk. The 2023 Annual Report of the Company will be dispatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 27 March 2024

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

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

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