

# Sling Group Holdings Limited

## 森浩集團股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8285)

### FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2023

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

## FIRST QUARTERLY RESULTS

The Board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2023, together with the comparative figures for the corresponding period in 2022 as follows:

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

*For the three months ended 31 March 2023*

		Three months ended	
		31 March	
		2023	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
<b>Revenue</b>	3	<b>28,147</b>	21,165
Cost of sales		<u>(12,722)</u>	<u>(9,431)</u>
<b>Gross profit</b>		<b>15,425</b>	11,734
Other revenue and income		<b>893</b>	917
Government grants		<b>577</b>	—
Selling and distribution costs		<b>(14,229)</b>	(12,762)
Administrative and other operating expenses		<b>(3,278)</b>	(3,403)
Finance costs		<u>(203)</u>	<u>(109)</u>
<b>Loss before income tax</b>	6	<b>(815)</b>	(3,623)
Income tax expense	5	<u>—</u>	<u>—</u>
<b>Loss for the period</b>		<u><b>(815)</b></u>	<u>(3,623)</u>
<b>Other comprehensive expense</b>			
<i>Items that may be reclassified subsequently to the profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		<u>(205)</u>	<u>(124)</u>
<b>Total comprehensive loss for the period</b>		<u><b>(1,020)</b></u>	<u>(3,747)</u>

		<b>Three months ended</b>	
		<b>31 March</b>	
		<b>2023</b>	<b>2022</b>
<i>Notes</i>		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>(Loss)/Profit for the period attributable to:</b>			
Equity holders of the Company		<b>(969)</b>	(3,287)
Non-controlling interests		<b>154</b>	(336)
		<u><b>(815)</b></u>	<u>(3,623)</u>
<b>Total comprehensive (loss)/income for the period attributable to:</b>			
Equity holders of the Company		<b>(1,174)</b>	(3,411)
Non-controlling interests		<b>154</b>	(336)
		<u><b>(1,020)</b></u>	<u>(3,747)</u>
		<b><i>RMB cents</i></b>	<b><i>RMB cents</i></b>
<b>Loss per share attributable to equity holders of the Company</b>			
Basic and diluted	8	<u><b>(0.17)</b></u>	<u>(0.59)</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2023

	Attributable to equity holders of the Company							Sub-total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve	Put option reserve	Translation reserve	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022 (Audited)	4,470	35,026	10,520	1,195	(3,658)	622	(28,879)	19,296	(1,223)	18,073
Loss for the period	—	—	—	—	—	—	(3,287)	(3,287)	(336)	(3,623)
<i>Other comprehensive expense</i>										
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	(124)	—	(124)	—	(124)
Total comprehensive loss for the period	—	—	—	—	—	(124)	(3,287)	(3,411)	(336)	(3,747)
As at 31 March 2022 (Unaudited)	<u>4,470</u>	<u>35,026</u>	<u>10,520</u>	<u>1,195</u>	<u>(3,658)</u>	<u>498</u>	<u>(32,166)</u>	<u>15,885</u>	<u>(1,559)</u>	<u>14,326</u>
As at 1 January 2023 (Audited)	<u>4,470</u>	<u>35,026</u>	<u>10,520</u>	<u>1,195</u>	<u>(3,658)</u>	<u>2,097</u>	<u>(45,175)</u>	<u>4,475</u>	<u>(2,060)</u>	<u>2,415</u>
(Loss)/Profit for the period	—	—	—	—	—	—	(969)	(969)	154	(815)
<i>Other comprehensive expense</i>										
Exchange differences on translation of financial statements of foreign operations	—	—	—	—	—	(205)	—	(205)	—	(205)
Total comprehensive (loss)/income for the period	—	—	—	—	—	(205)	(969)	(1,174)	154	(1,020)
As at 31 March 2023 (Unaudited)	<u>4,470</u>	<u>35,026</u>	<u>10,520</u>	<u>1,195</u>	<u>(3,658)</u>	<u>1,892</u>	<u>(46,144)</u>	<u>3,301</u>	<u>(1,906)</u>	<u>1,395</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 March 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 and controlled by Mr. Yau Tai Leung Sammy, Mr. Yau Sonny Tai Nin, Mr. Yau Frederick Heng Chung, Mr. Yau Nicholas Heng Wah and Ms. Hiang Siu Wei Cecilia.

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

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2023 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2022. The accounting policies used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted and early adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2022, except for the adoption of the following new and amended 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 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

Except for the 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 amendments have no impact on the unaudited condensed consolidated financial statements.

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

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

***Going concern basis***

During the three months ended 31 March 2023, the Group recorded a net loss of RMB815,000. The Group’s operations are financed by bank borrowings, loans from related parties and internal resources. As at 31 March 2023, the Group had net current liabilities of RMB1,326,000. The Group’s cash and bank balances amounting to RMB3,326,000 as at 31 March 2023.

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

The preparation of the unaudited condensed consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the accounting policies of the Group. The accounting estimates and assumptions used in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual consolidated financial statements of the Group for the year ended 31 December 2022.

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

### 3. REVENUE

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

#### Disaggregation of revenue from contracts with customers

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

	Three months ended	
	31 March	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Online retail sales	24,855	19,645
Wholesale to online retailers	3,176	1,275
Wholesale to offline retailers	—	207
Offline retail sales	116	38
	<u>28,147</u>	<u>21,165</u>

### 4. SEGMENT INFORMATION

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

## Geographical information

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

	Three months ended	
	31 March	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Revenue from external customers</b>		
The People's Republic of China (the "PRC") (excluding Hong Kong)	<u>28,147</u>	<u>21,165</u>
	As at	As at
	31 March	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
<b>Specified non-current assets</b>		
The PRC (excluding Hong Kong)	3,754	3,206
Hong Kong	<u>6</u>	<u>—</u>
	<u>3,760</u>	<u>3,206</u>

## Information about major customers

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

## 5. INCOME TAX EXPENSE

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

During the three months ended 31 March 2023 and 2022, there are no PRC EIT has been provided in the unaudited condensed consolidated financial statements as no assessable profits subject to tax.



## 6. LOSS BEFORE INCOME TAX

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

	Three months ended	
	31 March	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as an expense	12,590	9,294
Write-down of inventories to net realisable value	—	336
Amortisation of intangible assets	46	51
Depreciation of property, plant and equipment		
— Owned assets	221	97
— Right-of-use assets	147	106
	<u>368</u>	<u>203</u>
Total depreciation		
Staff costs (including directors' emoluments)		
— Salaries, allowances and other benefits	2,044	2,407
— Contributions to retirement benefit schemes ( <i>note</i> )	334	326
	<u>2,378</u>	<u>2,733</u>
Total staff cost		
Operating lease charges on premises		
— Short-term leases	293	658
Exchange gain, net	(574)	(249)
	<u>(574)</u>	<u>(249)</u>

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

## 7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 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:

	<b>Three months ended</b>	
	<b>31 March</b>	
	<b>2023</b>	<b>2022</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss</b>		
Loss for the period attributable to equity holders of the Company (in RMB'000)	<u>969</u>	<u>3,287</u>
<b>Number of shares</b>		
Weighted average number of ordinary shares	<u><u>560,000,000</u></u>	<u><u>560,000,000</u></u>

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

There were no dilutive potential ordinary shares during the three months ended 31 March 2023 and 2022 and therefore, diluted loss per share equals to basic loss per share.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The implementation of zero-Covid policy, a Chinese government policy to contain the spread of coronavirus, greatly impacted all business activities and daily lives in China since the outbreak in 2020. The end of zero-Covid policy finally gives the economy in China and our distribution businesses a chance of recovery. Local consumers in China have gradually increased their spending. During the three months ended 31 March 2023, the Group achieved a revenue growth of approximately RMB6.9 million to RMB28.1 million, an increase of 32.5% compared to the same period of last year. The business segment of luggage and accessories is the principal sale driver for the period. Its revenue increased from RMB4.0 million to RMB10.0 million. Noticeable numbers of travellers have planned their first journeys in three years. We anticipate the segment of women's handbags will also pick up sales in the second quarter of the year when local economy and employment are stabilized. The Group will put forward various online marketing programs with our key online partners to aim at our targeted customers.

The Group has focused on our marketing activities in online platforms and social media. Both online retails and wholesale to online retailers captured consumers attention with 26.5% and 149.1% rise in revenue compared to the same period last year. The sales of both channels account for 99.6% of total revenue. Given greater market opportunities in online segment, the Group closed the last outlet in Shanghai and put our resources in online platforms.

### **FUTURE PROSPECTS**

As COVID-19 is over and the Chinese economy is gaining momentum, increasing positive news and development point to faster-than-expected economic recovery in China. Local consumption for good and services is expected to rise significantly. The Chinese government is publicly encouraging consumption and has little restrictive measures put forward to the platform economy. As such, the Group is cautiously optimistic on the business performance in the remaining quarters of 2023.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue increased by approximately RMB6.9 million, or 32.5%, from approximately RMB21.2 million for the three months ended 31 March 2022 to approximately RMB28.1 million for the three months ended 31 March 2023.

Online sales from both online retail sales and wholesale to online retailers increased by approximately RMB7.1 million from RMB20.9 million to RMB28.0 million. Online retail sales continue to be the largest sale channel, accounting for 88.3%. The revenue of online retail sales increased by 26.5%, or RMB5.2 million, to RMB24.9 million. Wholesale to online retailers increased by RMB1.9 million to RMB3.2 million.

### **Gross Profit and Gross Profit Margin**

The Group's gross profit increased by approximately RMB3.7 million, or 31.6%, from approximately RMB11.7 million for the three months ended 31 March 2022 to approximately RMB15.4 million for the three months ended 31 March 2023. The Group's gross profit margins for the three months ended 31 March 2022 and 31 March 2023 were approximately 55.4% and 54.8% respectively.

The drop in gross profit margin was largely attributable to higher portion of revenue in distributing luggage and accessories. Owing to relatively lower profit margin in distributing luggage and accessories compared to women's handbags, the gross profit margin is slightly reduced.

### **Selling and Distribution Costs**

The Group's selling and distribution costs rose by approximately RMB1.4 million, or 10.9%, from approximately RMB12.8 million for the three months ended 31 March 2022 to approximately RMB14.2 million for the three months ended 31 March 2023. The lower percentage increase in selling and distribution costs compared to revenue growth was achieved through actively cost management for online platform marketing activities.

## **Administrative and Other Operating Expenses**

The Group's administrative and other operating expenses were lowered by RMB100,000, or 2.9%, from approximately RMB3.4 million for the three months ended 31 March 2022 to approximately RMB3.3 million for the three months ended 31 March 2023.

## **Income Tax Expense**

For the three months ended 31 March 2023, the Group had no income tax expense as it incurred operating loss.

## **Loss for the Period**

The Group incurred loss of approximately RMB815,000 for the three months ended 31 March 2023, compared to approximately RMB3.6 million loss for the three months ended 31 March 2022. The reduced loss was primarily attributable to higher revenue, income from government grants and unrealised foreign exchange gain.

## **CONTINGENT LIABILITIES**

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

## **SIGNIFICANT INVESTMENTS**

As at 31 March 2023, the Group did not hold any significant investments.

## **INDEBTEDNESS AND CHARGES ON GROUP'S ASSETS**

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

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

## **HUMAN RESOURCES**

As at 31 March 2023, the Group had 53 employees (31 March 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 RMB2.4 million for the three months ended 31 March 2023 (three months ended 31 March 2022: RMB2.7 million). The remuneration policies of the Group are formulated based on the Group's operating results, employees' individual performance, working experience, respective responsibilities, merit, qualifications and competence, as well as comparable to the prevailing market practice, standards and statistics. The remuneration policies of the Group are reviewed by the management of the Group regularly.

## **EVENTS AFTER REPORTING DATE**

As from 31 March 2023 to the date of this announcement, save as disclosed in this announcement, the Board is not aware of any significant events requiring disclosure that have occurred.

## **DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2023 (2022: Nil).

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities throughout three months ended 31 March 2023.

## **CORPORATE GOVERNANCE**

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. During the three months ended 31 March 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 three months ended 31 March 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 (“**Code of Conduct**”) regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct for the three months ended 31 March 2023.

## **AUDIT COMMITTEE**

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

The Audit Committee comprises three members, all being Independent Non-executive Directors, namely Mr. Won Chik Kee (chairman of the Audit Committee), Mr. Feng Dai, and Ms. Sit Ting Fong. It has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing and financial reporting matters, including review of the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2023.

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

Hong Kong, 12 May 2023

*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.*