



INTERIM REPORT 2021

# DESIGN WITHOUT LIMITS

**STEVE LEUNG** DESIGN GROUP LIMITED  
Stock Code : 2262

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### EXECUTIVE DIRECTORS

SIU Man Hei (Chief Executive Officer)  
YIP Kwok Hung Kevin (Chief Financial Officer)  
DING Chunya  
KAU Wai Fun

#### NON-EXECUTIVE DIRECTORS

XU Xingli (Chairman)  
HUANG Jianhong (Resigned on 23 June 2021)  
DING Jingyong (Appointed on 23 June 2021)

#### INDEPENDENT NON-EXECUTIVE DIRECTORS

LIU Yi  
SUN Yansheng  
TSANG Ho Ka Eugene

#### AUDIT COMMITTEE

TSANG Ho Ka Eugene (Chairman)  
LIU Yi  
SUN Yansheng

#### REMUNERATION COMMITTEE

SUN Yansheng (Chairman)  
XU Xingli  
TSANG Ho Ka Eugene

#### NOMINATION COMMITTEE

XU Xingli (Chairman)  
SUN Yansheng  
TSANG Ho Ka Eugene

#### RISK MANAGEMENT COMMITTEE

TSANG Ho Ka Eugene (Chairman)  
YIP Kwok Hung Kevin (Chief Financial Officer)  
SIU Man Hei (Chief Executive Officer)

### INVESTMENT COMMITTEE

XU Xingli (Chairman)  
SIU Man Hei (Chief Executive Officer)  
YIP Kwok Hung Kevin (Chief Financial Officer)  
HUANG Jianhong (Resigned on 23 June 2021)  
DING Jingyong (Appointed on 23 June 2021)  
TSANG Ho Ka Eugene

### COMPANY SECRETARY

YIP Kwok Hung Kevin (Chief Financial Officer)  
CHOI Mei Bik

### REGISTERED OFFICE

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

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

30/F Manhattan Place  
23 Wang Tai Road  
Kowloon Bay  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman, KY1-1111  
Cayman Islands

## CORPORATE INFORMATION (CONTINUED)

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Link Market Services (Hong Kong) Pty Limited  
Suite 1601, 16/F., Central Tower  
28 Queen's Road Central  
Hong Kong

### AUTHORISED REPRESENTATIVES

YIP Kwok Hung Kevin (Chief Financial Officer)  
SIU Man Hei (Chief Executive Officer)

### AUDITOR

BDO Limited  
Certified Public Accountants  
Registered Public Interest Entity Auditor in accordance with the  
Financial Reporting Council Ordinance

### LEGAL ADVISOR

Kenneth Chong Law Office

### PRINCIPAL BANKERS

Hang Seng Bank Limited  
Hang Seng Bank (China) Limited (Beijing Branch)  
China Construction Bank (Asia) Corporation Limited  
Dah Sing Bank  
DBS Bank (China) Limited Beijing Branch

### STOCK CODE

2262

### COMPANY'S WEBSITE

[www.sldgroup.com](http://www.sldgroup.com)

### INVESTOR RELATIONS CONTACT

[ir@steveleung.com](mailto:ir@steveleung.com)

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET OVERVIEW

In the first half of 2021, although impacts of the Coronavirus disease (“**COVID-19**”) still tremored across industries and geographical boundaries, the global economy was on a path of steady recovery, especially as the rate of vaccination coverage had spectacularly improved among major economies. China, one of the first countries to fend off the threat of COVID-19, was able to demonstrate its strength and success. With its implementation of “dual-circulation” strategy focusing on boosting its domestic consumption, it is expecting a world-leading annual GDP growth rate of 8.2% in 2021.

During the six months period ended 30 June 2021 (the “**Period**”), the Government of the People's Republic of China (the “**PRC**”) continued to adhere to the principles of “Houses are for living in, not for speculation” and “Stabilising land prices, housing prices and expectation”, coupled with the continued tightening of housing measures, including field surveys in 13 cities such as Shenzhen, Beijing, Shanghai and Hangzhou, in order to closely monitor the property market and promote the steady and healthy development of the market. Local governments have also introduced policies to stabilise the real estate market. Along with the implementation of “The Three Red Lines” policy, which strictly prohibits excessive gearing and restricts funding to real estate developers, China's real estate market was on a path of sustainable growth. Real estate developers have generally become more prudent in project investment, as reflected in the sharp decrease in the number of terminated projects.

As a result of increasing demand and moderating supply, China's real estate industry enjoyed an upward momentum in the first half of 2021. According to the data from China Index Academy, the average monthly transaction volume of commercial real estate in 50 cities in the first half of 2021 was about 35.8 million square meters, representing an increase of 40.8% as compared with the same period last year, which is the highest record for the same period in the past five years. In the first half of 2021, 19 real estate companies recorded sales over RMB100 billion, 6 more than that of the same period last year, and 132 real estate companies recorded sales over RMB10 billion, 25 more than that of the same period last year.

Benefitting from the upward momentum, there is a steady growth of the interior design industry. Real estate developers continued to focus on the interior design of their projects to differentiate themselves from other competitors and hence favoured well-established, reputable and premium interior design companies, as they maintained a stable financial position and provide good services with satisfactory quality at the same time. In short, despite the operating environment remained challenging and ever-changing, notable players such as the Group, was able to boost its orders and market share in the first half of 2021.

### OVERALL PERFORMANCE AND BUSINESS REVIEW

Benefitting from the global economic recovery and the heavy demand for housing in the PRC, the Group's performance has rebounded steadily during the Period. The Group also made significant progress in exploring potential clients and working closely with existing clients.

The total revenue increased by 13.9% to HK\$212.8 million (six months period ended 30 June 2020 (the “**Previous Period**”): HK\$186.9 million), which was mainly attributable to the growing new contract sum of 26.2%. The surge in demand lays a firm foundation for accelerated growth in the second half of 2021, with the remaining contract sum as at 30 June 2021 grew by 15.7% to HK\$571.0 million, as compared with HK\$493.4 million as at 31 December 2020. However, in the absence of anti-epidemic subsidies provided by the Hong Kong and PRC government, there was pressure on the Group's profit margin, hence a decrease in profit was recorded for the Period.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Nonetheless, the Group managed to maintain a healthy net cash position despite the volatile external operating environment. As at 30 June 2021, the bank balances and cash were approximately HK\$186.0 million (31 December 2020: HK\$275.3 million), whereas gearing and current ratios were being maintained at a low level of 7.6% and 3.1 time, respectively (31 December 2020: 5.3%; 3.4 times). Meanwhile, as a result of tightened credit policy, the Group has seen improvement on receivable turnover days from 204 days for the Previous Period to 185 days for the Period, and cash conversion cycle was improved to 157 days during the Period (Previous Period: 160 days).

### (i) INTERIOR DESIGN SERVICES

Revenue for the interior design services increased from HK\$138.7 million for the Previous Period to HK\$158.8 million for the Period, accounting for 74.6% of total revenue (Previous Period: 74.2%). Such increase was mainly attributable to the increase in newly awarded projects as a result of the recovery in the property market during the Period. Segment gross profit stood at approximately HK\$58.2 million (Previous Period: HK\$62.4 million).

As at 30 June 2021, this business segment had a remaining contract sum of HK\$333.9 million, which is expected to be realised based on the stages of completion of projects in the second half of 2021 and 2022.

### (ii) INTERIOR DECORATING AND FURNISHING SERVICES

The interior decorating and furnishing services business commenced operation in 2016, and has achieved notable growth during past few years. During the Period, revenue for this segment recorded an increase of 10.8% to HK\$52.5 million (Previous Period: HK\$47.4 million), accounting for 24.7% of total revenue (Previous Period: 25.4%). The gross profit of such segment also increased from HK\$16.8 million to HK\$20.2 million.

As at 30 June 2021, this business segment had a remaining contract sum of HK\$237.1 million, which is expected to be realised based on the stages of completion of projects and the delivery of interior decorative products.

Riding on the Group's extensive experience and expertise in interior design, it is expected that the interior decorating and furnishing services segment will remain strong and further contribute to the Group's operation and financial position upon market recovery.

### (iii) PRODUCT DESIGN SERVICES

Another important segment of the Group's operation is the provision of product design services, which add value to the overall interior design, decorating and furnishing layout of projects, hence enhancing customer satisfaction, being the Group's important marketing and branding strategies. During the Period, the segment continued to perform steadily, with revenue reaching HK\$1.5 million (Previous Period: HK\$0.8 million).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL REVIEW

#### REVENUE AND GROSS PROFIT

During the Period, the Group's revenue increased by approximately HK\$25.9 million or 13.9%, from approximately HK\$186.9 million for the Previous Period to approximately HK\$212.8 million for the Period. Revenue from the interior design services increased from approximately HK\$138.7 million for the Previous Period to approximately HK\$158.8 million for the Period, representing approximately 74.2% and approximately 74.6% of the total revenue, respectively. Revenue from the interior decorating and furnishing services increased from approximately HK\$47.4 million for the Previous Period to approximately HK\$52.5 million for the Period, representing approximately 25.4% and approximately 24.7% of the total revenue, respectively. The increase in revenue of the Group was mainly contributed by an increase in the demand of the property market as compared to the lock-down due to COVID-19 pandemic in the Previous Period.

The following states the Group's revenue and gross profit by segment during the Period:

#### REVENUE AND GROSS PROFIT BY SEGMENT

	Six months period ended 30 June 2021 (Unaudited)			Six months period ended 30 June 2020 (Unaudited)		
	Revenue HK\$ million	Gross profit HK\$ million	Gross profit margin %	Revenue HK\$ million	Gross profit HK\$ million	Gross profit margin %
Interior design services	158.8	58.2	36.6%	138.7	62.4	45.0%
Interior decorating and furnishing services	52.5	20.2	38.5%	47.4	16.8	35.4%
Product design services	1.5	1.4	93.3%	0.8	0.7	87.5%
Total	212.8	79.8	37.5%	186.9	79.9	42.8%

The Group's gross profit slightly decreased by approximately HK\$0.1 million or 0.1%, from approximately HK\$79.9 million for the Previous Period to approximately HK\$79.8 million for the Period, while gross profit margin decreased to approximately 37.5% (Previous Period: 42.8%). The decrease was primarily due to the increase in the overall staff cost and the absence of government subsidies during the Period.

The interior decorating and furnishing services segment consists of provision of interior decorating and furnishing design services and trading of interior decorative products, both of which are in the early stages of development. With more than three years of operational experience and established relationships with its suppliers, the gross profit margin of the interior decorating and furnishing services segment had improved during the Period.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following states the Group's remaining contract sum to be recognised in profit or loss and its movement during the Period:

	Six months period ended 30 June 2021			Six months period ended 30 June 2020		
	Interior design services HK\$ million	Interior decorating and furnishing services HK\$ million	Total HK\$ million	Interior design services HK\$ million	Interior decorating and furnishing services HK\$ million	Total HK\$ million
<b>Remaining contract sum at the beginning of the period</b>	<b>281.0</b>	<b>212.4</b>	<b>493.4</b>	290.3	142.1	432.4
Add: New contract sum awarded during the Period	<b>250.2</b>	<b>92.5</b>	<b>342.7</b>	152.3	119.2	271.5
Less: VAT for newly awarded contracts	<b>(13.1)</b>	<b>(10.7)</b>	<b>(23.8)</b>	(6.5)	(12.6)	(19.1)
Less: Revenue recognised during the Period	<b>(158.8)</b>	<b>(52.5)</b>	<b>(211.3)</b>	(138.7)	(47.4)	(186.1)
Less: Purchase made	—	<b>(2.2)</b>	<b>(2.2)</b>	—	(2.4)	(2.4)
(Less) add: Variation order	<b>(31.2)</b>	<b>(3.8)</b>	<b>(35.0)</b>	1.3	(0.9)	0.4
Add (less): Exchange realignment	<b>5.8</b>	<b>1.4</b>	<b>7.2</b>	(7.6)	(0.5)	(8.1)
<b>Remaining contract sum at the end of the period</b>	<b>333.9</b>	<b>237.1</b>	<b>571.0</b>	291.1	197.5	488.6

Due to the increase in newly awarded contract sums during the Period, the remaining contract sum for the interior design services increased from approximately HK\$281.0 million as at 31 December 2020 to approximately HK\$333.9 million as at the end of the Period, while the remaining contract sum for the interior decorating and furnishing services increased from approximately HK\$212.4 million as at 31 December 2020 to approximately HK\$237.1 million as at the end of the Period as a consequence of the newly awarded contracts expected to be realised as revenue for the second half of 2021 and 2022.

## OTHER GAINS AND LOSSES

The Group recorded other gains of approximately HK\$5.4 million for the Period (Previous Period: other losses of HK\$0.1 million), which were primarily derived from the fair value gain of the financial assets at fair value through profit or loss ("FVTPL"), gain on lease modification and net exchange gain resulting from appreciation of Renminbi.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND CONTRACT ASSETS UNDER EXPECTED CREDIT LOSS MODEL

The amount represents the expected credit loss allowance on trade receivables and contract assets. The amount maintained at approximately HK\$5.0 million during the Period (Previous Period: HK\$5.1 million).

For details, please refer to the section headed "Credit Risk Exposure" of this report.

### OTHER INCOME

Other income mainly includes government grants, the interest income from bank deposits and note receivables, and PRC incentive rebates. The decrease in other income from approximately HK\$8.1 million to approximately HK\$5.0 million during the Period was mainly contributed from the absence of interest income from note receivables and the decrease in the PRC incentive rebates during the Period.

### ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased from approximately HK\$66.6 million to approximately HK\$71.9 million, representing an increase of approximately 8.0% during the Period. The increase was primarily due to the increase in staff costs and the absence of government subsidies during the Period.

### FINANCE COSTS

The finance costs comprised interest on lease liabilities and the bank borrowings for financing the Group's operations. The finance costs of the Group maintained at HK\$2.0 million during the Period and Previous Period.

### PROFIT FOR THE PERIOD

The Group's profit for the Period amounted to approximately HK\$4.1 million (Previous Period: HK\$6.4 million), representing a decrease of approximately HK\$2.3 million or approximately 35.9% mainly due to a decrease in gross profit margin and the increase in the administrative expenses as a consequence of the increase in overall staff cost and the absence of government subsidies.

### BASIC EARNINGS PER SHARE

The Company's basic earnings per share for the Period was approximately HK0.32 cents (Previous Period: HK0.53 cents), representing a decrease of approximately HK0.21 cents or 39.6%, which was in line with the decrease in profit for the Period.

### OUTLOOK AND PROSPECTS

Looking into the second half of 2021, the market conditions remain uncertain given the unpredictable global environment, particularly as the new Delta variant of the COVID-19 pandemic continues to lead to new spikes in infection rates across different countries. The complex trade relationship between China and other major countries, coupled with the dynamics of real estate policies in the PRC, also add further instability to the second half of 2021 that is beyond prediction.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Despite the uncertainties and challenges ahead, the Group remains cautiously optimistic about its future business development. The remaining contract amounts to be realised gives the Group reasons to be optimistic, and as a well-established market player, the market disruption brought by the COVID-19 pandemic could also lead to opportunities in gaining market share and raising the brand profile. To better prepare for unexpected challenges, the Group will remain vigilant and maintain a prudent financial position and strict operations management. The Group will continue to embrace its pursuit of "Design Without Limits", uphold its brand value, and deliver long-term valuable return to the shareholders of the Company.

## CORPORATE FINANCE AND RISK MANAGEMENT

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The management and control of the Group's financial, capital management and external financing functions are centralised at the headquarters in Hong Kong. The Group has been adhering to the principle of prudent financial management in order to minimise financial and operational risks. The Group mainly relies on internally generated funds, bank borrowings and the net proceeds from the issue of shares by way of the Hong Kong public offering and international placing on 5 July 2018 (the "**Global Offering**") to finance its operations and expansion.

As at 30 June 2021, the Group's total debt (representing total interest-bearing borrowings excluding lease liabilities arising from the adoption of Hong Kong Financial Reporting Standards ("**HKFRSs**") 16) to total asset ratio was approximately 5.1% (as at 31 December 2020: 3.7%). The gearing ratio (net debt excluding lease liabilities arising from the adoption of HKFRS 16 to equity attributable to owners of the Company) was approximately 7.6% (as at 31 December 2020: 5.3%) as the Group has net cash (bank balances and cash less total debt) of approximately HK\$151.4 million as at 30 June 2021 (as at 31 December 2020: HK\$256.5 million). The reduction in net cash was mainly contributed by the investment in funds during the Period. For details, please refer to the section headed "Significant Investments/Material Acquisition and Disposals".

The bank borrowings of approximately HK\$21.0 million as at 31 December 2020 were secured by pledged bank deposits. The secured borrowings were fully repaid during the Period. The bank borrowings of approximately HK\$35.2 million as at 30 June 2021 (31 December 2020: HK\$5.1 million) were unsecured and guaranteed by the Company. Details are disclosed in note 15 to the unaudited condensed consolidated financial statements. Further costs for operations and expansion will be partially financed by unutilised bank facilities. Up to this report date, the bank borrowings of approximately HK\$15.2 million as at 30 June 2021 were repaid by the Group's internally generated fund. As at 30 June 2021 and up to this report date, the bank borrowings are mainly for financing the Group's daily operation.

The liquidity of the Group maintained strong and healthy as the current ratio (current assets/current liabilities) of the Group as at 30 June 2021 was 3.1 (as at 31 December 2020: 3.4). The Group also has sufficient committed and unutilised loan and working capital facility and guarantee facilities to meet the needs of the Group's business development. The Group will cautiously seek development opportunities with a view to balancing the risk and opportunity in maximising shareholders' value.

As at 30 June 2021, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.4 million (as at 31 December 2020: HK\$11.4 million) and approximately HK\$461.7 million (as at 31 December 2020: HK\$487.8 million), respectively.

### PLEDGE OF ASSETS

As at the end of the Period, the Group's performance bond was secured by a pledged bank deposit of approximately HK\$0.5 million. As at 31 December 2020, the Group's bank borrowings of approximately HK\$21.0 million were secured by pledged bank deposits of approximately HK\$7.3 million. For details, please refer to note 15 to the unaudited condensed consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group did not have any significant contingent liabilities as at the end of the Period. For capital commitments, please refer to note 18 to the unaudited condensed consolidated financial statements. The Group intends to meet its capital commitments by internally generated fund.

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND INTEREST RATES AND CORRESPONDING HEDGING ARRANGEMENT

The Group's bank borrowings as at 30 June 2021 were in Hong Kong dollars and Renminbi, and have been made at floating rates. The Group operates in various regions under different foreign currencies, including Renminbi and United States Dollar. The exchange rate of the United States Dollar was relatively stable while that of Renminbi was more volatile during the Period. The Group currently has no hedging arrangements for foreign currencies or interest rates. The Group reviews the currency exchange risks regularly and closely monitors the fluctuation of foreign currencies. The Group will make proper adjustments and consider hedging arrangements if necessary.

### CREDIT RISK EXPOSURE

The Group has adopted prudent credit policies to deal with credit exposure arising from its clients. Although the Group's major clients are institutional organisations and reputable property developers, due to forward-looking market uncertainties as a consequence of the COVID-19 pandemic, the credit risk continued to maintain at high level. The Group's policy in respect of expected credit loss allowance for the Period was an amount equivalent to the lifetime expected credit losses of the trade receivables and contract assets, depending on whether there has been a significant increase in credit risk since initial recognition.

As at 30 June 2021, the accumulated expected credit loss allowance was approximately HK\$48.2 million (31 December 2020: HK\$43.1 million), among which the accumulated expected credit loss allowance for trade receivables was approximately HK\$37.3 million (31 December 2020: HK\$35.4 million) and the accumulated expected credit loss allowance for contract assets was approximately HK\$10.9 million (31 December 2020: HK\$7.7 million). Although the overall settlement of trade receivables from clients were satisfactory, due to the uncertainties resulting from COVID-19 pandemic, the accumulated expected credit loss allowance had increased and maintained at high level. The Group will continue to strengthen its cooperation with its clients in response to the possible negative impact brought by the pandemic in the future.

Saved as disclosed above, there is no other significant credit risk exposure. The Group's management reviews the recoverability of trade receivables and contract assets from time to time and closely monitor the financial position and creditability of its clients in order to keep low credit risk exposure of the Group.

### RISK MANAGEMENT

In order to broaden the sources of revenue, the Group is actively looking for opportunities to diversify its project nature and business. The Group will evaluate the market conditions and make decisions to ensure effective implementation of the Group's expansion strategy. The Group will continue to strengthen the internal control and risk control procedures by regularly reviewing the market risk, operation risk, finance risk, policy risk, legal risk, contract risk and credit risk of the customers and the markets.

### EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2021 which may materially affect the Group's operating and financial performance up to the date of this report.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group had approximately 556 (as at 30 June 2020: 549) full-time employees. The total remuneration of the employees (including the Directors' remuneration) were approximately HK\$96.4 million for the Period (Previous Period: HK\$83.6 million). The increase in total remuneration of the employees was mainly due to the increase in number of the employees and average salaries of the employees. The Group offers attractive remuneration policy, discretionary bonus and share options will also be granted to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides external training programmes which are complementary to certain job functions.

### SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITION AND DISPOSALS

During the Period, the Group subscribed for three investment funds, namely Cithara Global Multi-Strategy SPC – Cithara Series One Fund SP, FUTEU Special Growth Fund SPC – FUTEC International Bond Fund and Sino Opulence Multi-Value Strategy Fund SPC – Stable Growth Fund SP, with subscription amount of HK\$30.0 million, USD2.5 million and USD3.9 million, respectively. Details of the fund investments are set out as follows:

	Cost	Fair value gain for the Period	Exchange realignments	Fair value as at 30 June 2021	Percentage to the total assets as at 30 June 2021	Percentage of return as at 30 June 2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Cithara Global Multi-Strategy SPC – Cithara Series One Fund SP	30,000	307	—	30,307	4.4%	1.02%
FUTEU Special Growth Fund SPC – FUTEC International Bond Fund	19,384	1,458	24	20,866	3.0%	7.52%
Sino Opulence Multi-Value Strategy Fund SPC – Stable Growth Fund SP	30,406	449	37	30,892	4.5%	1.48%
	79,790	2,214	61	82,065		

The Group is subject to the market risks associated with its investments. The management of the Group will closely monitor the performance of these funds and redeem at the appropriate time to protect the interests of the Group and the shareholders.

No material acquisition and disposal of subsidiaries, associates or joint ventures during the Period.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved as disclosed in the section headed "Significant Investments/Material Acquisition and Disposals" and the prospectus of the Company dated 22 June 2018 (the "**Prospectus**"), the Group did not have other plans for material investments and capital assets as at 30 June 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company have been listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 5 July 2018. The net proceeds from the Global Offering amounted to HK\$195.0 million (after deducting underwriting fees and commissions and all related expenses) (the “**Net Proceeds**”). The Net Proceeds are intended to be applied in accordance with the proposed application as disclosed in the Prospectus and the announcement regarding the change in use of proceeds dated 6 June 2019 (the “**Change**”). As at 30 June 2021, the Net Proceeds received were applied and reallocated as follows:

	Original allocation of Net Proceeds	Reallocation of Unutilised Net Proceeds	Utilised Net Proceeds up to 31 December 2020	Unutilised Net Proceeds up to 31 December 2020	Utilised Net Proceeds during the Period	Unutilised Net Proceeds up to 30 June 2021
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Strengthening our interior design services and developing specialisation	67.0	(28.1)	(37.6)	1.3	(1.3)	–
Further developing our interior decorating & furnishing services	31.1	7.2	(37.0)	1.3	–	1.3
Pursuing growth through selective mergers and acquisitions	28.4	11.6	–	40.0	–	40.0
Improving our information technology systems	22.1	(5.7)	(16.4)	–	–	–
Repaying existing bank borrowings	19.0	–	(19.0)	–	–	–
Enhancing our brand recognition	11.0	–	(8.5)	2.5	(1.1)	1.4
Further developing the our product design services	3.1	–	(3.1)	–	–	–
Working capital and other general corporate purposes	13.3	–	(13.3)	–	–	–
Developing a new brand (“SL2.0”) and teams for middle-end and specialised interior design services market	–	15.0	(11.3)	3.7	(3.7)	–
<b>Total</b>	<b>195.0</b>	<b>–</b>	<b>(146.2)</b>	<b>48.8</b>	<b>(6.1)</b>	<b>42.7</b>

The unutilised Net Proceeds are expected to be fully utilised according to the intended allocation by the end of 2021.

### APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, business partners and other professional parties for your support. I would also like to thank our staffs for their continued commitment to the Group over these periods.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) 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 were deemed or taken to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange are set out as follows:

Name of Directors and chief executives	Long/Short position	Capacity/ Nature of interest	Number of shares held	Number of underlying shares held	Approximate percentage of the issued share capital of the Company
Mr. Siu Man Hei	Long	Beneficial owner	–	10,032,000	0.88%
Mr. Ding Jingyong	Long	Beneficial owner	90,000	–	0.01%

Save as disclosed in the foregoing, as at 30 June 2021, having sufficient enquiry to and with the best knowledge of the Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) 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 he was taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The interests and/or short positions of substantial shareholders in the shares and the underlying shares of the Company as at 30 June 2021, as recorded in the register required to be kept under Section 336 of Part XV of the SFO, are set out as follows:

Name	Long/Short position	Capacity/ Nature of interest	Number of shares	Approximate percentage of the issued share capital of the Company (Note 1)
Eagle Vision Development Limited	Long	Beneficial owner	598,500,000	52.46%
Peacemark Enterprises Limited <sup>(Note 2)</sup>	Long	Interest in controlled corporation	598,500,000	52.46%
Jangho Hong Kong Holdings Limited <sup>(Note 3)</sup>	Long	Interest in controlled corporation	598,500,000	52.46%
Jangho Group Co., Ltd <sup>(Note 4)</sup>	Long	Interest in controlled corporation	598,500,000	52.46%
北京江河源控股有限公司 (Beijing Jiangheyuan Holdings Co., Ltd.) <sup>(Note 5) (Note 6)</sup>	Long	Interest in controlled corporation	598,500,000	52.46%
Mr. Liu Zaiwang <sup>(Note 6)</sup>	Long	Interest in controlled corporation	598,500,000	52.46%
Ms. Fu Haixia <sup>(Note 7)</sup>	Long	Interest of spouse	598,500,000	52.46%
Sino Panda Group Limited	Long	Beneficial owner	256,500,000	22.48%
Mr. Leung Chi Tien Steve <sup>(Note 8)</sup>	Long	Interest in controlled corporation	256,500,000	22.48%
Ms. Chan Siu Wan <sup>(Note 9)</sup>	Long	Interest of spouse	256,500,000	22.48%

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### Notes:

1. On the basis of 1,140,918,000 shares in issue as at 30 June 2021.
2. Eagle Vision Development Limited ("**Eagle Vision**") is beneficially owned as to approximately 42.86% by Peacemark Enterprises Limited ("**Peacemark Enterprises**") and therefore Peacemark Enterprise is deemed to be interested in the shares held by Eagle Vision under the SFO.
3. Peacemark Enterprises is wholly and beneficially owned by Jangho Hong Kong Holdings Limited ("**Jangho HK**") and therefore Jangho HK is deemed to be interested in the shares indirectly held by Peacemark Enterprises through Eagle Vision under the SFO.
4. Jangho HK is wholly and beneficially owned by Jangho Group Co., Ltd. ("**Jangho Co.**") and therefore Jangho Co. is deemed to be interested in the shares indirectly held by Jangho HK through Peacemark Enterprises and Eagle Vision under the SFO.
5. Ms. Fu Haixia ("**Ms. Fu**"), the spouse of Mr. Liu Zaiwang ("**Mr. Liu**"), is the sole director of Beijing Jiangheyuan Holdings Co., Ltd. ("**Jiangheyuan**"). The board of directors of Jangho Co. is controlled by Jiangheyuan and therefore Jiangheyuan is deemed to be interested in the shares held by Jangho Co. through Jangho HK, Peacemark Enterprises and Eagle Vision under the SFO.
6. Jangho Co. is beneficially owned as to approximately 27.35% by Jiangheyuan (a company which is 85% and 15% beneficially owned by Mr. Liu and his spouse Ms. Fu, respectively), and beneficially owned as to approximately 25.07% by Mr. Liu and therefore, Mr. Liu is deemed to be interested in the shares indirectly held by Jangho Co. through Jangho HK, Peacemark Enterprises and Eagle Vision under the SFO.
7. Ms. Fu is the spouse of Mr. Liu and is therefore deemed to be interested in the shares that Mr. Liu is interested in under the SFO.
8. Sino Panda Group Limited ("**Sino Panda**") is wholly and beneficially owned by Mr. Leung Chi Tien Steve ("**Mr. Steve Leung**") and therefore Mr. Steve Leung is deemed to be interested in the shares held by Sino Panda under the SFO.
9. Ms. Chan Siu Wan is the spouse of Mr. Steve Leung and is therefore deemed to be interested in the shares that Mr. Steve Leung is interested in under the SFO.



## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### ANY OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2021, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO.

### PRE-IPO SHARE OPTION SCHEME

On 11 June 2018, the Company conditionally adopted a pre-IPO share option scheme ("**Pre-IPO Share Option Scheme**") for the primary purpose of recognising the contribution of certain senior management, employers, consultants and other contributors of the Group have made or may have been made to the growth of the Group.

The subscription price for any share under the Pre-IPO Share Option Scheme shall be an amount equal to 50% discount to the mid-point of the price of the IPO, i.e. HK44 cents.

An offer of the grant of an option shall be deemed to have been accepted and such option to which such offer related shall be deemed to have been granted and to have taken effect when the duplicate letter comprising acceptance of such offer duly signed by the grantee with the number of shares in respect of which such offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company. Such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the offer date.

The grantees may only exercise their options no more than 20% of the total number of underlying shares under the options granted to such grantee every 12 months and the outstanding and unexercised Pre-IPO Share Options at the end of each vesting period may be rolled over to the next vesting period and exercisable during the option period.

The Pre-IPO Share Option Scheme was expired on 5 July 2018, the date of which the Company's shares listed on the Stock Exchange (the "**Listing Date**"). Save for the options which have been granted before the Listing date, no further options were or will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date.

The shares which may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme shall not exceed 10% of the shares in issue as at the Listing Date (i.e. 114,000,000 shares).

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

The Pre-IPO Share Options will be terminated immediately and would no longer be exercisable in the event of termination of employment for reasons including, but not limited to, misconduct of the employee and the employee being arrested for breach of any criminal law.

The table below shows details of the share options granted under the Pre-IPO Share Option Scheme during the Period.

Category of grantees	Date of grant	As at 1 January 2021	Number of options		As at 30 June 2021
			Exercised during the Period	Forfeited during the Period <i>(Note 1)</i>	
Executive Director – Mr. Siu Man Hei	15/06/2018	10,032,000	–	–	10,032,000
Senior management and other employees	15/06/2018	19,367,400	–	(100,800)	19,266,600
<b>Total</b>		<b>29,399,400</b>	<b>–</b>	<b>(100,800)</b>	<b>29,298,600</b>

Notes:

- These are in respect of options granted to some employees under continuous contracts who have subsequently resigned. Such options have been forfeited during the Period.
- For further details, please refer to note 21 to the condensed consolidated financial statements.

Except as set out above, no other options have been granted or agreed to be granted by the Company under the Pre-IPO Share Option Scheme during the Period.

## SHARE OPTION SCHEME

On 11 June 2018, the Company adopted a share option scheme (“**Scheme**”) for the primary purpose of motivating the Eligible Persons (as defined below) to optimise their future contributions to the Group and/or to reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), enabling the Group to attract and retain individuals with experience and ability and/or rewarding them for their past contributions. Subject to the terms of the Scheme, the Board shall be entitled at any time during the life of the Scheme to offer the grant of any options (“**Options**”) to subscribe for such number of shares to any Eligible Person as the Board may in its absolute discretion select. The basis of eligibility shall be determined by the Board from time to time.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Persons satisfying any of the following ("**Eligible Persons**") may be offered with Options by the Board, at its absolute discretion:

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group ("**Executives**");
- (b) any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group;
- (c) a director or proposed director (including an independent non-executive director) of any member of the Group; (d) a direct or indirect shareholder of any member of the Group;
- (e) a supplier of goods or services to any member of the Group;
- (f) a client, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;
- (g) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and
- (h) an associate (as defined in the Listing Rules) of any of the persons referred to in paragraphs (a) to (g) above.

The Board shall set out in the offer the terms on which the option is to be granted. The maximum number of shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. No Options shall be granted under the Scheme at any time if such grant shall result in the scheme limit being exceeded.

The total number of shares which may be issued upon exercise of all Options to be granted under the Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the Listing Date (i.e. 114,000,000 shares). The Company may seek approval of its shareholders in general meeting for refreshing such 10% limit.

The maximum number of shares issued and to be issued upon exercise of the Options granted to each Eligible Person (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the shares in issue from time to time. Any further grant of Options in excess of this limit is subject to shareholders' approval in a general meeting.

Any grant of Options to any Director, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of the Company, or any of their respective associates under the Scheme is subject to the prior approval of the independent non-executive Directors (excluding independent non-executive Directors who or whose associates is the grantee of an Options). Where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares at the date of grant, in excess of HK\$5.0 million, such for the grant of the Options shall be subject to prior approval of the shareholders with such person and his associates abstaining from voting in favour of general meeting.

An offer for the grant of option must be accepted within 28 days from the offer date. Options granted shall be taken up upon payment of HK\$1 as consideration for the grant of Option. Options may be exercised at any time from the date which Option is deemed to be granted and accepted and expired on the date as the Board in its absolute discretion determine and which shall not exceeding a period of 10 years from the date on which the Options are deemed to be granted and accepted but subject to the provisions for early termination thereof contained in the Scheme.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

The subscription price is determined by the Board, and shall not be less than whichever is the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date.

The Scheme shall be valid and effective for a period of 10 years commencing from 11 June 2018. No Options were granted, forfeited or expired during the Period.

### DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' INTERESTS UNDER THE SHARE OPTION SCHEME OF THE COMPANY

Save as disclosed above, none of the Directors or chief executives or employees of the Company had any interests under any share option scheme of the Company.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Period.

### SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained a sufficient public float during the Period and up to the date of this report as required under the Listing Rules.

### CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. It also recognises that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of the Company and its ability to attract investment, protect the rights of shareholders and stakeholders, and create values for shareholders. The Group's corporate governance policy is designed to achieve these objectives and is maintained through a framework of processes, policies and guidelines.

The Company has adopted and applied the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

The Board confirms that the Company has complied with the mandatory code provisions in the CG Code during the Period and up to the date of this report. The Board will review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices of the Company.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors and employees (the "**Securities Code**") with standards no less exacting than that of the Model Code. Having made specific enquiries, all Directors and relevant employees of the Group confirmed that they have complied with the Securities Code and the Model Code during the Period and up to the date of this report.

### CONTINUING CONNECTED TRANSACTIONS

On 24 June 2021, the Company (for itself and on behalf of its subsidiaries) entered into the framework agreements (the "**Framework Agreements**") with Jangho Co. (for itself and on behalf of its subsidiaries, but excluding members of the Group) and 江河創新地產股份有限公司 (Jangho Chuangxin Real Estate Co., Ltd.\*) ("**Jangho Chuangxin**") (for itself and on behalf of its subsidiaries), respectively, pursuant to which the Company agreed to provide or procure any of its subsidiaries to provide, interior design services and interior decorating and furnishing services to Jangho Co., Jangho Chuangxin, and/or their respective subsidiaries. The Framework Agreements shall be effective upon the date of obtaining independent shareholders' approval to 31 December 2023.

The proposed annual caps for the transactions contemplated under the Framework Agreements for the three years ending 31 December 2023 are RMB32,000,000, RMB32,000,000 and RMB32,000,000 respectively (equivalent to approximately HK\$39,000,000, HK\$39,000,000 and HK\$39,000,000, respectively), with the amount of RMB32,000,000 divided as to RMB18,000,000 (equivalent to approximately HK\$22,000,000) for the framework agreement with Jangho Co. and as to RMB14,000,000 (equivalent to approximately HK\$17,000,000) for the framework agreement with Jangho Chuangxin.

Jangho Co. was held, inter alios, as to 25.07% by Mr. Liu and 27.35% by Jiangheyuan, which in turn, was held as to 85% by Mr. Liu and 15% by Mr. Liu's spouse, Ms. Fu, both being controlling shareholders of the Company. Jangho Co., by virtue of being a 30%-controlled company of Mr. Liu, is an associate of Mr. Liu, and hence a connected person of the Company, in accordance with Chapter 14A of the Listing Rules.

Jangho Chuangxin was held as to 30% by Mr. Liu and 70% by Jiangheyuan, which in turn, was held as to 85% by Mr. Liu and 15% by Mr. Liu's spouse, Ms. Fu, both being controlling shareholders of the Company. Jangho Chuangxin, by virtue of being a 30%-controlled company of Mr. Liu, is an associate of Mr. Liu, and hence a connected person of the Company, in accordance with Chapter 14A of the Listing Rules.

Accordingly, the transactions contemplated under the Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in relation to the annual caps for the Framework Agreements on an aggregated basis, exceed(s) 5%, but is/are less than 25% and the aggregated annual caps for the continuing connected transactions under the Framework Agreements exceed HK\$10,000,000, the same transactions are subject to the reporting, annual review, announcement, circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The transactions contemplated under the Framework Agreements are subject to independent shareholders' approval as at the date of this Interim Report. Please refer to the announcement of the Company dated 24 June 2021 for further details.

\* For identification purpose only

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### AUDIT COMMITTEE REVIEW

The unaudited interim results of the Group for the Period have been reviewed by the Group's external auditor, BDO Limited ("**BDO**"), in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institutes of Certified Public Accountants, whose unmodified review report for the Period is included in this report.

The Company's Audit Committee (the "**Audit Committee**"), which comprises all of the three independent non-executive Directors, namely Mr. Tsang Ho Ka, Eugene (Chairman of the Audit Committee), Mr. Liu Yi and Mr. Sun Yansheng, has reviewed and discussed with the management and BDO for the Group's interim results for the Period and examined the unaudited condensed consolidated financial statements for the Period and this report. Members of the Audit Committee and BDO agree with the accounting treatments adopted in the preparation of the unaudited condensed consolidated financial statements.

On behalf of the Board

**XU Xingli**

Chairman

26 August 2021

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



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### To The Board of Directors of Steve Leung Design Group Limited

梁志天設計集團有限公司

(incorporated in the Cayman Islands with limited liability)

### INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 48 which comprise the condensed consolidated statement of financial position of Steve Leung Design Group Limited and its subsidiaries (collectively referred to as the "**Group**") as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on the interim financial information based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### OTHER MATTER

The comparative unaudited condensed consolidated financial statements for the six months ended 30 June 2020 were reviewed by another auditor who express an unmodified opinion on 27 August 2020.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

#### **BDO Limited**

*Certified Public Accountants*

#### **Chan Wing Fai**

Practising Certificate Number P05443

Hong Kong, 26 August 2021



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

For the six months period ended 30 June 2021

	Notes	Six months period ended 30 June	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue	3	212,808	186,932
Cost of sales		(133,036)	(107,011)
Gross profit		79,772	79,921
Other gains and losses		5,447	(111)
Impairment losses on trade receivables and contract assets under expected credit loss model	4	(5,039)	(5,121)
Other income		5,010	8,135
Administrative expenses		(71,915)	(66,637)
Finance costs		(2,078)	(2,059)
Profit before taxation		11,197	14,128
Income tax expense	5	(7,139)	(7,695)
Profit for the period	6	4,058	6,433
<i>Other comprehensive income (expense) that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		3,853	(3,985)
Total comprehensive income for the period		7,911	2,448
Profit for the period attributable to:			
– Owners of the Company		3,609	6,073
– Non-controlling interests		449	360
		4,058	6,433
Total comprehensive income (expense) for the period attributable to:			
– Owners of the Company		7,361	2,505
– Non-controlling interests		550	(57)
		7,911	2,448
Earnings per share	8	HK cents	HK cents
Basic		0.32	0.53
Diluted		0.31	0.53

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	9	29,860	31,636
Right-of-use assets	9	48,059	57,896
Intangible assets		2,846	3,065
Goodwill		1,293	1,278
Deposits paid for acquisition of property, plant and equipment	12	580	1,572
Rental deposits	12	2,861	5,235
Deferred tax assets		27,619	25,854
		<b>113,118</b>	126,536
<b>Current Assets</b>			
Inventories		1,088	1,158
Financial assets at fair value through profit or loss	10	82,065	–
Trade receivables	11	210,551	219,898
Other receivables, deposits and prepayments	12	31,453	29,064
Contract assets	13	63,517	50,525
Tax recoverable		–	264
Pledged bank deposits	17	547	7,339
Bank balances and cash		186,044	275,263
		<b>575,265</b>	583,511
<b>Current Liabilities</b>			
Trade payables	14	25,029	32,763
Other payables and accrued charges	14	15,923	44,697
Dividends payable		34,228	–
Bank borrowings	15	35,155	26,063
Lease liabilities		23,312	24,721
Contract liabilities	13	27,637	18,336
Tax liabilities		25,457	25,401
		<b>186,741</b>	171,981
<b>Net Current Assets</b>		<b>388,524</b>	411,530
<b>Total Assets less Current Liabilities</b>		<b>501,642</b>	538,066
<b>Capital and Reserves</b>			
Share capital	16	11,409	11,409
Reserves		450,311	476,392
Equity attributable to owners of the Company		461,720	487,801
Non-controlling interests		12,610	12,060
<b>Total Equity</b>		<b>474,330</b>	499,861
<b>Non-current Liabilities</b>			
Deferred tax liabilities		717	1,959
Lease liabilities		26,595	36,246
		<b>27,312</b>	38,205
		<b>501,642</b>	538,066

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2021

	Attributable to owners of the Company										
	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange reserve	Long-term employee benefit reserve	Shareholder's contribution	Retained profits	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note (a))	(Note (b))	(Note (c))		(Note (d))	(Note (e))				
At 1 January 2020 (audited)	11,400	257,100	(112,360)	4,695	(17,254)	9,212	43,119	256,852	452,764	10,786	463,550
Profit for the period	-	-	-	-	-	-	-	6,073	6,073	360	6,433
Exchange difference arising on translation of foreign operations	-	-	-	-	(3,568)	-	-	-	(3,568)	(417)	(3,985)
Total comprehensive (expense) income for the period	-	-	-	-	(3,568)	-	-	6,073	2,505	(57)	2,448
Dividend recognised as distribution (note 7)	-	-	-	-	-	-	-	(14,821)	(14,821)	-	(14,821)
Recognition of equity settled long-term employee benefits	-	-	-	-	-	842	-	-	842	-	842
At 30 June 2020 (unaudited)	11,400	257,100	(112,360)	4,695	(20,822)	10,054	43,119	248,104	441,290	10,729	452,019
At 1 January 2021 (audited)	<b>11,409</b>	<b>257,976</b>	<b>(112,360)</b>	<b>6,319</b>	<b>(2,898)</b>	<b>10,298</b>	<b>43,119</b>	<b>273,938</b>	<b>487,801</b>	<b>12,060</b>	<b>499,861</b>
Profit for the period	-	-	-	-	-	-	-	3,609	3,609	449	4,058
Exchange difference arising on translation of foreign operations	-	-	-	-	3,752	-	-	-	3,752	101	3,853
Total comprehensive income for the period	-	-	-	-	3,752	-	-	3,609	7,361	550	7,911
Dividend recognised as distribution (note 7)	-	-	-	-	-	-	-	(34,228)	(34,228)	-	(34,228)
Forfeited share options	-	-	-	-	-	(423)	-	423	-	-	-
Recognition of equity settled long-term employee benefits	-	-	-	-	-	786	-	-	786	-	786
At 30 June 2021 (unaudited)	<b>11,409</b>	<b>257,976</b>	<b>(112,360)</b>	<b>6,319</b>	<b>854</b>	<b>10,661</b>	<b>43,119</b>	<b>243,742</b>	<b>461,720</b>	<b>12,610</b>	<b>474,330</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

For the six months period ended 30 June 2021

Notes:

- (a) Share premium included
- (i) the difference between the nominal amount of the share capital issued by Steve Leung Design Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") and the aggregate of the nominal amount of the share capital and other reserves of SLD Group Holdings Limited, a subsidiary which was incorporated pursuant to the group reorganisation (the "**Reorganisation**") of the Group in connection with the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as set out in the section headed "History, Development and Reorganisation" in the prospectus of the Company dated 22 June 2018 (the "**Prospectus**"); and
- (ii) the share premium arising from the issuance of new shares upon the exercise of share options under share option scheme.
- (b) Merger reserve represents the difference between the amount of share capital and share premium of the Company issued, and the share capital of Steve Leung Designers Limited ("**SLD**") exchanged in connection with the Reorganisation.
- (c) The articles of association of the Company's subsidiaries established in the People's Republic of China (the "**PRC**") state that they may make an appropriation of 10% of their profit for the year (prepared under generally accepted accounting principles in the PRC) each year to the statutory reserve until the balance reaches 50% of their paid-in capital. The statutory reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of their production and operation.
- (d) The amount represents the recognition of the equity settled long-term employee benefit scheme of a subsidiary of the Company in respect of "Share-linked Bonus and Share Conversion Scheme" (the "**Conversion Scheme**") and share option scheme, details of share options scheme is set out in note 21.
- (e) The amount represents the contribution from a shareholder pursuant to the sale and purchase agreement of SLD Acquisition as defined in the section headed "History, Development and Reorganisation" in the Prospectus. The seller (who is also the non-controlling shareholder of SLD) had guaranteed a certain level of profit of SLD for the three years ended 31 December 2016 and the Group will receive from the seller 50% of the shortfall of actual profit generated by SLD with the guarantee profit as contribution. An approximate amount of HK\$43,119,000 was confirmed by shareholders of SLD and the amount was received and recognised by the Group as a shareholder's contribution on 24 November 2017.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months period ended 30 June 2021

	<b>Six months period ended 30 June</b>	
	<b>2021 (Unaudited) HK\$'000</b>	2020 (Unaudited) HK\$'000
<b>OPERATING ACTIVITIES</b>		
Operating cash flows before movements in working capital	<b>34,553</b>	37,368
Decrease (increase) in trade receivables	<b>9,578</b>	(23,327)
Increase in other receivables, deposits and prepayments	<b>(2,389)</b>	(3,446)
Increase in contract assets	<b>(15,717)</b>	(7,496)
Decrease in trade payables	<b>(7,734)</b>	(2,138)
Decrease in other payables and accrued charges	<b>(28,774)</b>	(12,737)
Increase in contract liabilities	<b>9,135</b>	5,015
Decrease (increase) in inventories	<b>70</b>	(70)
Income taxes paid	<b>(9,911)</b>	(180)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(11,189)</b>	(7,011)
<b>INVESTING ACTIVITIES</b>		
Additions to note receivable	–	(60,000)
Additions to financial assets at fair value through profit or loss	<b>(79,851)</b>	–
Payments for rental deposits	–	(706)
Withdrawal of rental deposits	<b>2,374</b>	–
Additions to property, plant and equipment	<b>(3,664)</b>	(7,804)
Placement of pledged bank deposits	<b>(547)</b>	(711)
Additions to intangible assets	–	(22)
Withdrawal of pledged bank deposits	<b>7,339</b>	3,094
Interest received	<b>372</b>	834
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(73,977)</b>	(65,315)
<b>FINANCING ACTIVITIES</b>		
Repayments of bank borrowings	<b>(51,238)</b>	(183,627)
Repayments of lease liabilities	<b>(12,276)</b>	(12,391)
Finance costs paid for lease liabilities	<b>(1,228)</b>	(1,361)
Interest paid	<b>(850)</b>	(698)
New bank borrowings raised	<b>60,000</b>	185,015
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(5,592)</b>	(13,062)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(90,758)</b>	(85,388)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>275,263</b>	273,595
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>1,539</b>	(2,722)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH</b>	<b>186,044</b>	185,485

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 June 2021

### 1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 December 2016 and its shares were listed on the Stock Exchange on 5 July 2018. The Company's immediate holding company is Eagle Vision Development Limited, a limited liability company incorporated in the British Virgin Islands, whereas the directors of the Company consider that the Company's ultimate holding company is Jangho Group Co., Ltd., a company incorporated in PRC with its shares listed on the Shanghai Stock Exchange.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institutes of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from the application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months period ended 30 June 2021 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2020.

#### Application of amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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Except as described below, the application of the amendments to HKFRSs in the current period has no material impact on the Group's performance and financial positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)****2.1 IMPACTS ON APPLICATION OF AMENDMENTS TO HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 AND HKFRS 16 “INTEREST RATE BENCHMARK REFORM – PHASE 2”**

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the interim unaudited condensed consolidated financial statements of the Group. The Group intends to use the practical expedients for future periods if they become applicable.

**3. REVENUE AND SEGMENT INFORMATION**

The Group's revenue represents service revenue from provision of interior design services, interior decorating and furnishing design services and product design services, license fee revenue from product design services, and trading income from trading of interior decorative products.

An analysis of the Group's revenue for the six months period ended 30 June 2021 and 30 June 2020 are as follows:

	<b>Six months period ended 30 June</b>	
	<b>2021 HK\$'000 (Unaudited)</b>	2020 HK\$'000 (Unaudited)
Service revenue	<b>169,136</b>	146,752
License fee revenue	<b>1,478</b>	508
Trading income	<b>42,194</b>	39,672
	<b>212,808</b>	186,932

The Group is organised into operating business units according to the nature of the services provided or goods sold. The Group determines its operating segments based on these business units by reference to the nature of the services provided or goods sold, for the purpose of reporting to the chief operating decision makers (“**CODMs**”), i.e. the executive directors of the Company.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**3. REVENUE AND SEGMENT INFORMATION (CONTINUED)**Specifically, the Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

1. Interior design services: Provision of interior design services
2. Interior decorating and furnishing services: Provision of interior decorating and furnishing design services and trading of interior decorative products
3. Product design services: Provision of product design services and license arrangement for product design services

**DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS**

	Six months period ended 30 June 2021 (unaudited)			
	Interior design services HK\$'000	Interior decorating and furnishing services HK\$'000	Product design services HK\$'000	Total HK\$'000
Geographical markets				
Hong Kong	15,763	1,131	–	16,894
PRC	130,567	50,742	626	181,935
Other regions	12,497	630	852	13,979
	<b>158,827</b>	<b>52,503</b>	<b>1,478</b>	<b>212,808</b>
Timing of revenue recognition				
Over time				
Service revenue	158,827	10,309	–	169,136
At point in time				
License fee revenue	–	–	1,478	1,478
Trading income	–	42,194	–	42,194
	–	42,194	1,478	43,672
	<b>158,827</b>	<b>52,503</b>	<b>1,478</b>	<b>212,808</b>



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**3. REVENUE AND SEGMENT INFORMATION (CONTINUED)****DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)**

	Six months period ended 30 June 2020 (unaudited)			
	Interior design services HK\$'000	Interior decorating and furnishing services HK\$'000	Product design services HK\$'000	Total HK\$'000
Geographical markets				
Hong Kong	6,876	1,322	–	8,198
PRC	120,778	46,019	148	166,945
Other regions	11,059	52	678	11,789
	138,713	47,393	826	186,932
Timing of revenue recognition				
Over time				
Service revenue	138,713	7,721	318	146,752
At point in time				
License fee revenue	–	–	508	508
Trading income	–	39,672	–	39,672
	–	39,672	508	40,180
	138,713	47,393	826	186,932

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**3. REVENUE AND SEGMENT INFORMATION (CONTINUED)**

Segment information about these reportable and operating segments is presented below.

**SEGMENT REVENUE AND RESULTS**

	<b>Interior design services HK\$'000</b>	<b>Interior decorating and furnishing services HK\$'000</b>	<b>Product design services HK\$'000</b>	<b>Total HK\$'000</b>
<b>For the six months period ended 30 June 2021 (unaudited)</b>				
<i>Revenue</i>				
Segment revenue from external customers	<b>158,827</b>	<b>52,503</b>	<b>1,478</b>	<b>212,808</b>
<i>Results</i>				
Segment results	<b>10,658</b>	<b>3,845</b>	<b>950</b>	<b>15,453</b>
Unallocated expenses (Note 1)				<b>(4,764)</b>
Changes in fair value of financial assets at fair value through profit or loss ("FVTPL")				<b>2,214</b>
Interest income				<b>372</b>
Finance costs				<b>(2,078)</b>
Profit before taxation				<b>11,197</b>

	Interior design services HK\$'000	Interior decorating and furnishing services HK\$'000	Product design services HK\$'000	Total HK\$'000
<b>For the six months period ended 30 June 2020 (unaudited)</b>				
<i>Revenue</i>				
Segment revenue from external customers	138,713	47,393	826	186,932
<i>Results</i>				
Segment results	15,872	1,509	470	17,851
Unallocated expenses (Note 1)				(4,244)
Interest income				2,580
Finance costs				(2,059)
Profit before taxation				14,128

Notes:

1. Unallocated expenses mainly represented headquarters expenses without allocation to segments.
2. There are no inter-segment revenue for both periods.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**3. REVENUE AND SEGMENT INFORMATION (CONTINUED)****SEGMENT REVENUE AND RESULTS (CONTINUED)**

Segment results represent the profit earned by each segment without allocation of certain unallocated expenses, changes in fair value of financial assets at FVTPL, interest income and finance costs. This is the measure reported to the CODMs for the purposes of resource allocation and performance assessment.

**4. IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND CONTRACT ASSETS UNDER EXPECTED CREDIT LOSS MODEL**

	<b>Six months period ended 30 June</b>	
	<b>2021 HK\$'000 (Unaudited)</b>	<b>2020 HK\$'000 (Unaudited)</b>
Net impairment losses recognised in respect of		
– trade and other receivables	<b>1,746</b>	5,121
– contract assets	<b>3,293</b>	–
	<b>5,039</b>	5,121

The basis of determining the data, assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months period ended 30 June 2021 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

During the six months period ended 30 June 2021, the Group provided impairment allowance of HK\$16,327,000 (for the six months period ended 30 June 2020: HK\$9,480,000) and reversed impairment allowance of HK\$11,288,000 (for the six months period ended 30 June 2020: HK\$4,359,000).

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**5. INCOME TAX EXPENSE**

	<b>Six months period ended 30 June</b>	
	<b>2021 HK\$'000 (Unaudited)</b>	2020 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	<b>107</b>	630
PRC Enterprise Income Tax	<b>9,824</b>	6,903
	<b>9,931</b>	7,533
Under (over) provision in prior years:		
Hong Kong Profits Tax	<b>180</b>	(263)
Deferred taxation	<b>(2,972)</b>	425
	<b>7,139</b>	7,695

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both periods.

Deferred tax for both periods arose from temporary differences arising from accelerated tax depreciation, allowance for credit losses, tax losses, fair value adjustment on business acquisition and unrealised profits.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2021

## 6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	<b>Six months period ended 30 June</b>	
	<b>2021 HK\$'000 (Unaudited)</b>	2020 HK\$'000 (Unaudited)
Amortisation of intangible assets		
– included in cost of sales	<b>134</b>	226
– included in administrative expenses	<b>122</b>	195
	<b>256</b>	421
Changes in fair value of financial assets at FVTPL	<b>(2,214)</b>	–
Cost of inventories recognised as an expense	<b>25,854</b>	27,301
Depreciation of property, plant and equipment	<b>6,738</b>	3,810
Depreciation of right-of-use assets	<b>13,170</b>	13,567
Exchange (gain) loss, net	<b>(1,108)</b>	111
Interest income from banks	<b>(372)</b>	(834)
Interest income from note receivable	<b>–</b>	(1,746)
Interest on bank borrowings	<b>850</b>	698
Interest on lease liabilities	<b>1,228</b>	1,361
Loss on disposals of property, plant and equipment	<b>10</b>	–
Gain on lease modification	<b>(2,135)</b>	–
Grants received from local government (Note 1)	<b>(749)</b>	(1,714)
PRC incentive rebates (Note 2)	<b>(2,095)</b>	(3,301)

Notes:

- The amounts represent grants provided by the relevant PRC authorities to certain PRC subsidiaries of the Group. There were no other terms to the grants and therefore, the Group recognised the grants in other income upon approvals being obtained from the relevant PRC authorities.
- The amounts represent certain incentive to attract foreign investments from the relevant PRC local authorities in the form of incentive rebates in Tianjin, the PRC.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**7. DIVIDEND**

	<b>Six months period ended 30 June</b>	
	<b>2021 HK\$'000 (Unaudited)</b>	<b>2020 HK\$'000 (Unaudited)</b>
Dividends for ordinary shareholders of the Company recognised as distribution during the period:		
Final dividend for the year ended 31 December 2020 of HK3.00 cents per share (for the six months period ended 30 June 2020: final dividend for the year ended 31 December 2019 of HK1.30 cents per share)	<b>34,228</b>	14,821
	<b>34,228</b>	14,821

The directors of the Company do not recommend the payment of an interim dividend for the six months period ended 30 June 2021.

**8. EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	<b>Six months period ended 30 June</b>	
	<b>2021 HK\$'000 (Unaudited)</b>	<b>2020 HK\$'000 (Unaudited)</b>
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	<b>3,609</b>	6,073

	<b>Six months period ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>1,140,918,000</b>	1,140,039,000
Effect of dilutive potential ordinary shares in respect of outstanding share options	<b>11,304,268</b>	16,302,936
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,152,222,268</b>	1,156,341,936

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS**

During the six months period ended 30 June 2021, the Group acquired property, plant and equipment of HK\$4,656,000 (for the six months period ended 30 June 2020: HK\$11,983,000) mainly comprised of office equipment, leasehold improvement and motor vehicles for business operations and expansion.

During the six months period ended 30 June 2021, the Group did not enter into new lease agreements. During the six months period ended 30 June 2020, the Group entered into new lease agreements for the use of properties ranging from 3 to 5 years and recognised right-of-use assets of HK\$21,076,000 and lease liabilities of HK\$20,603,000 on lease commencement.

**10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>At 30 June 2021 HK\$'000 (Unaudited)</b>	At 31 December 2020 HK\$'000 (Audited)
<b>Financial assets at FVTPL</b>		
– Unlisted fund investments	<b>82,065</b>	–

**11. TRADE RECEIVABLES**

	<b>At 30 June 2021 HK\$'000 (Unaudited)</b>	At 31 December 2020 HK\$'000 (Audited)
Trade receivables	<b>247,843</b>	255,268
Less: allowance for credit losses	<b>(37,292)</b>	(35,370)
	<b>210,551</b>	219,898

Included in the carrying amount of trade receivables as at 30 June 2021 is an amount of HK\$13,630,000 (31 December 2020: HK\$11,667,000) due from related parties controlled by a controlling shareholder of the Company.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**II. TRADE RECEIVABLES (CONTINUED)**

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of each reporting period.

	<b>At 30 June 2021 HK\$'000 (Unaudited)</b>	At 31 December 2020 HK\$'000 (Audited)
0 to 30 days	<b>89,355</b>	107,953
31 to 90 days	<b>34,707</b>	34,096
91 to 180 days	<b>14,109</b>	14,051
Over 180 days	<b>72,380</b>	63,798
	<b>210,551</b>	219,898

There is no credit period given on billing for its customers.

As at 30 June 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$210,551,000 (31 December 2020: HK\$219,898,000) which are past due as at the reporting date. Out of the past due balances, HK\$86,489,000 (31 December 2020: HK\$77,849,000) has been past due more than 90 days and is not considered as in default since the amounts are still considered as recoverable based on historical experience and forward-looking estimates. The Group does not hold any collateral over these balances.

The basis of determining the inputs and assumptions and the estimation techniques for the assessment of the impairment losses under expected credit loss model used in the condensed consolidated financial statements for the six months period ended 30 June 2021 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<b>At 30 June 2021 HK\$'000 (Unaudited)</b>	At 31 December 2020 HK\$'000 (Audited)
Other receivables	<b>7,812</b>	5,580
Value-added tax recoverable	<b>3,922</b>	5,894
Prepayments of expenses	<b>6,698</b>	9,512
Rental deposits	<b>6,481</b>	5,909
PRC tax rebates	<b>8,686</b>	6,627
Deposits paid for acquisition of property, plant and equipment	<b>580</b>	1,572
Other deposits	<b>715</b>	777
	<b>34,894</b>	35,871
Analysed as:		
Current	<b>31,453</b>	29,064
Non-current – Deposits paid for acquisition of property, plant and equipment	<b>580</b>	1,572
Non-current – Rental deposits	<b>2,861</b>	5,235
	<b>34,894</b>	35,871

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**13. CONTRACT ASSETS (LIABILITIES)**

	<b>At 30 June 2021 HK\$'000 (Unaudited)</b>	At 31 December 2020 HK\$'000 (Audited)
<b>Contract assets</b>		
Interior design services	<b>72,452</b>	56,150
Interior decorating and furnishing services	<b>2,006</b>	2,034
Less: allowance for credit losses	<b>(10,941)</b>	(7,659)
	<b>63,517</b>	50,525

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date on the design services. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers contract assets to trade receivables upon achieving the specified milestones in the contracts.

Included in the carrying amount of contract assets as at 30 June 2021 is an amount of HK\$4,633,000 (31 December 2020: HK\$4,156,000) from related parties controlled by a controlling shareholder of the Company.

	<b>At 30 June 2021 HK\$'000 (Unaudited)</b>	At 31 December 2020 HK\$'000 (Audited)
<b>Contract liabilities</b>		
Interior design services	<b>4,866</b>	2,401
Interior decorating and furnishing services	<b>22,771</b>	15,935
	<b>27,637</b>	18,336

The contract liabilities represent the Group's obligation to transfer performance obligation to customers for which the Group has received considerations from the customers.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**14. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES**

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	<b>At 30 June 2021 HK\$'000 (Unaudited)</b>	At 31 December 2020 HK\$'000 (Audited)
0 to 180 days	<b>8,922</b>	15,891
Over 180 days	<b>16,107</b>	16,872
	<b>25,029</b>	32,763

The following is the analysis of other payables and accrued charges at the end of each reporting period:

	<b>At 30 June 2021 HK\$'000 (Unaudited)</b>	At 31 December 2020 HK\$'000 (Audited)
Accrued staff benefits	<b>7,133</b>	17,938
Deposits received from customers	<b>708</b>	18,442
Other payables and accrued charges	<b>8,082</b>	8,317
	<b>15,923</b>	44,697

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**15. BANK BORROWINGS**

	<b>At 30 June 2021 HK\$'000 (Unaudited)</b>	At 31 December 2020 HK\$'000 (Audited)
Secured	–	20,969
Unsecured	<b>35,155</b>	5,094
	<b>35,155</b>	26,063
The carrying amounts of the bank loans that contain a repayment on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment dates set out in the loan agreements are within one year	<b>35,155</b>	26,063
	<b>35,155</b>	26,063

As at 30 June 2021, included in the Group's borrowings are variable-rate borrowings of HK\$30,000,000 and HK\$5,155,000 carrying interest at 2.5% to 3.75% over Hong Kong Interbank Offering Rate ("HIBOR") and 1.58% plus Renminbi Loan Prime Rate, respectively.

As at 31 December 2020, included in the Group's borrowings are variable-rate borrowings of HK\$26,063,000 carrying interest at 1.58% plus Renminbi Loan Prime Rate.

As at 31 December 2020, the secured borrowings were secured by pledged bank deposits amounting to HK\$7,339,000, bearing interest of 1.55% per annum. The secured borrowings were fully repaid during the six months period ended 30 June 2021. HK\$35,155,000 (31 December 2020: HK\$5,094,000) of the group's unsecured borrowings are guaranteed by the Company.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**16. SHARE CAPITAL**

	Number of shares	HK\$
Ordinary shares of the Company of HK\$0.01 each		
<b>Authorised</b>		
At 1 January 2020, 31 December 2020 and 30 June 2021	4,000,000,000	40,000,000
<b>Issued and fully paid</b>		
At 1 January 2020	1,140,039,000	11,400,390
Issue of shares upon exercise of share options (Note 1)	150,000	1,500
Issue of shares upon exercise of share options (Note 2)	729,000	7,290
At 31 December 2020 and 30 June 2021	1,140,918,000	11,409,180

Notes:

- On 20 November 2020, 150,000 ordinary shares of the Company were issued at a price of HK\$0.44 per share pursuant to exercise of share option under the Pre-IPO share option scheme adopted on 11 June 2018 by an employee of the Group.
- On 22 December 2020, 729,000 ordinary shares of the Company were issued at a price of HK\$0.44 per share pursuant to exercise of share option under the Pre-IPO share option scheme adopted on 11 June 2018 by an employee of the Group.

**17. PLEDGE OF ASSETS**

As at 30 June 2021, a bank deposit of HK\$547,000 was pledged to a bank to secure a performance bond. As at 31 December 2020, bank deposits of HK\$7,339,000 were pledged to banks to secure the Group's bank borrowing in the PRC.

**18. CAPITAL COMMITMENTS**

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Capital expenditures in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	6	217

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**19. RELATED PARTY TRANSACTIONS**

Other than the balances and transactions with related parties disclosed elsewhere in these condensed consolidated financial statements, the Group has entered into the following transactions with its related parties during the periods:

Relationship	Nature of transactions	Six months period ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Fellow subsidiaries	Interest on lease liabilities	26	26
	Interior design service income	1,802	1,835
	Referral fee	342	–
	Repayment of lease liabilities	579	844
Related company (Note)	Interior design service income	16	19

Note: Liu Zaiwang, a controlling shareholder of the Company holds controlling interests over the related company.

Included in lease liabilities is an amount of lease liabilities of HK\$568,000 (31 December 2020: HK\$1,051,000) due to a fellow subsidiary.

**COMPENSATION OF KEY MANAGEMENT PERSONNEL**

The remuneration of key management personnel of the Group is as follows:

	Six months period ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Basic salaries, allowance and other benefits	7,471	6,571
Discretionary bonus	5,489	474
Retirement benefits scheme contributions	349	319
	<b>13,309</b>	7,364

The remuneration of key management personnel is determined by the directors of the Company having regard to the performance of the Group.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2021

### 20. FAIR VALUE OF FINANCIAL INSTRUMENTS

The unlisted fund investments are measured at fair value on a recurring basis, which are grouped into Level 2 fair value measurement. The fair value has been determined with reference to the fair value of the underlying assets and liabilities of fund investments at the end of the reporting period.

There were no transfer between level 1 and level 2 during the six months period ended 30 June 2021.

### 21. SHARE-BASED PAYMENT TRANSACTIONS

#### EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY

The Company's share option scheme was adopted pursuant to a resolution passed on 11 June 2018 (the "**Share Option Scheme**") for the purpose of recognising the contribution of certain senior management, employees, consultants and other contributors of the Group ("**Participants**") that have made or may have been made to the growth of the Group. Under the Share Option Scheme, the board of directors of the Company may grant options to Participants, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

On 15 June 2018, the Company implemented a settlement plan in relation to the Conversion Scheme (the "**Settlement Plan**") as further detailed in "History, Development and Reorganisation" in the Prospectus. Pursuant to the Settlement Plan: (i) the Conversion Scheme was terminated and replaced by the Share Option Scheme; (ii) the entitlement of dividend rights and shares of SLD of the eligible participants under the Conversion Scheme was replaced by the share options granted to them; and (iii) all the rights, benefits and claims of the eligible participants under the Conversion Scheme were terminated.

At 30 June 2021, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 29,298,600 (31 December 2020: 29,399,400), representing 2.57% (31 December 2020: 2.58%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2021

**21. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)****EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY (CONTINUED)**

Options granted shall be taken up upon payment of HK\$1 as consideration for the grant of option. Options may be exercised at any time not exceeding a period of 10 years from the date which the share option is deemed to be granted and accepted. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

The following table discloses movements of the Company's share options held by directors and employees during the period:

Date of grant	Exercise price HK\$	Exercise period	Outstanding at 1 January 2020	Exercised during the year	Forfeited during the year	Outstanding	Exercised during the period	Forfeited during the period (Note)	Outstanding at 30 June 2021
						at 31 December 2020			
5 July 2018	0.44	05/07/2018– 30/6/2024	6,055,680	(342,000)	–	5,713,680	–	–	5,713,680
		05/07/2019– 30/6/2024	6,055,680	(342,000)	–	5,713,680	–	–	5,713,680
		05/07/2020– 30/6/2024	6,055,680	(195,000)	–	5,860,680	–	(480)	5,860,200
		05/07/2021– 30/6/2024	6,055,680	–	–	6,055,680	–	(50,160)	6,005,520
		05/07/2022– 30/6/2024	6,055,680	–	–	6,055,680	–	(50,160)	6,005,520
			30,278,400	(879,000)	–	29,399,400	–	(100,800)	29,298,600
Weighted average exercise price			HK\$0.44	HK\$0.44	N/A	HK\$0.44	N/A	HK\$0.44	HK\$0.44



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

*For the six months period ended 30 June 2021*

**21. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)****EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY (CONTINUED)**

During the year ended 31 December 2018, 30,483,600 options were granted as a replacement of the Conversion Scheme on 5 July 2018. The estimated fair values of the options granted and the fair values of the shares awarded under the Conversion Scheme and cancelled on date of replacement are HK\$23,569,000 and HK\$23,185,000, respectively. The Company continues to expense those shares awarded under the Conversion Scheme not yet recognised over the original vesting period and expense the incremental fair values of the options granted over the share awarded under Conversion Scheme determined on the date of replacement over the period from the date of replacement of the Conversion Scheme until the dates when the relevant share options vest.

The Group recognised the total expense of HK\$786,000 for the six months period ended 30 June 2021 (six months period ended 30 June 2020: HK\$842,000) in relation to share options granted by the Company and shares awarded under the Conversion Scheme.

Note: These are in respect of options granted to some employees under continuous contracts who have subsequently resigned. Such options have been forfeited during the period.

