

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## STEVE LEUNG DESIGN GROUP LIMITED

### 梁志天設計集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2262)

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

### FINANCIAL HIGHLIGHTS

	For the year ended 31 December		% Change
	2020 (Audited)	2019 (Audited)	
<b>Results:</b>			
Revenue (HK\$ million)	433.0	504.7	(14.2%)
Profit for the year (HK\$ million)	34.6	40.1	(13.7%)
Profit for the year attributable to owners of the Company (HK\$ million)	33.5	38.6	(13.2%)

### Financial Information:

Earnings per share (HK Cents)			
– basic	2.94	3.39	(13.3%)
– diluted	2.90	3.36	(13.7%)
Net assets value per share (HK\$)	0.44	0.41	7.3%

### Bank Balances and Cash:

As at 31 December 2020, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK\$275.3 million (Previous Year: approximately HK\$273.6 million).

### Final Dividend:

The Board proposed a final dividend of HK3.0 cents per share for the year ended 31 December 2020.

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of STEVE LEUNG DESIGN GROUP LIMITED 梁志天設計集團有限公司 (the “**Company**”) hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (the “**Year**”) together with the audited comparative figures for the corresponding year ended 31 December 2019 (the “**Previous Year**”) as follows:

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

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Revenue	3	432,974	504,686
Cost of sales		(245,036)	(310,049)
Gross profit		187,938	194,637
Other gains and losses	5	7,019	(3,059)
Impairment losses on trade receivables and contract assets under expected credit loss model		(23,723)	(4,124)
Other income	6	16,396	13,672
Administrative expenses		(125,559)	(137,329)
Finance costs	7	(4,385)	(2,662)
Profit before taxation		57,686	61,135
Income tax expense	8	(23,052)	(21,009)
Profit for the year	9	34,634	40,126
<i>Other comprehensive income (expense) that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		14,527	(6,896)
Total comprehensive income for the year		49,161	33,230

	<i>NOTES</i>	<b>2020</b> <b><i>HK\$'000</i></b>	2019 <i>HK\$'000</i>
Profit for the year attributable to:			
– Owners of the Company		<b>33,531</b>	38,648
– Non-controlling interests		<b>1,103</b>	1,478
		<b>34,634</b>	40,126
Total comprehensive income for the year attributable to:			
– Owners of the Company		<b>47,887</b>	31,923
– Non-controlling interests		<b>1,274</b>	1,307
		<b>49,161</b>	33,230
Earnings per share (expressed in Hong Kong cents)	<i>//</i>		
– Basic		<b>2.94</b>	3.39
– Diluted		<b>2.90</b>	3.36

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2020**

	NOTES	2020 HK\$'000	2019 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment		31,636	20,266
Right-of-use assets	12	57,896	63,053
Intangible assets		3,065	3,546
Goodwill		1,278	1,203
Deposits paid for acquisition of property, plant and equipment		1,572	9,314
Rental deposits		5,235	2,310
Deferred tax assets		25,854	21,266
		<u>126,536</u>	<u>120,958</u>
<b>Current Assets</b>			
Inventories		1,158	1,162
Note receivables	13	—	—
Trade receivables	14	219,898	198,946
Other receivables, deposits and prepayments		29,064	27,949
Contract assets	15	50,525	51,935
Tax recoverable		264	155
Pledged bank deposits		7,339	3,091
Bank balances and cash		275,263	273,595
		<u>583,511</u>	<u>556,833</u>
<b>Current Liabilities</b>			
Trade payables	16	32,763	37,683
Other payables and accrued charges	16	44,697	54,113
Bank borrowings	17	26,063	33,618
Lease liabilities		24,721	22,226
Contract liabilities	18	18,336	13,841
Tax liabilities		25,401	9,890
		<u>171,981</u>	<u>171,371</u>
<b>Net Current Assets</b>		<u>411,530</u>	<u>385,462</u>
<b>Total Assets less Current Liabilities</b>		<u><u>538,066</u></u>	<u><u>506,420</u></u>

	<i>NOTES</i>	<b>2020</b> <b><i>HK\$'000</i></b>	2019 <i>HK\$'000</i>
<b>Capital and Reserves</b>			
Share capital	19	11,409	11,400
Reserves		<u>476,392</u>	<u>441,364</u>
Equity attributable to owners of the Company		<b>487,801</b>	452,764
Non-controlling interests		<u>12,060</u>	<u>10,786</u>
<b>Total Equity</b>		<u><b>499,861</b></u>	<u>463,550</u>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		1,959	2,450
Lease liabilities		<u>36,246</u>	<u>40,420</u>
		<u><b>38,205</b></u>	<u>42,870</u>
		<u><b>538,066</b></u>	<u><b>506,420</b></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## I. GENERAL INFORMATION

Steve Leung Design Group Limited (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 of Hong Kong Limited (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 the People’s Republic of China (the “**PRC**”) with its shares listed on the Shanghai Stock Exchange.

The Company acts as an investment holding company and provides corporate management services.

The consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

### Going concern assessment

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### Application of amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 *COVID-19-Related Rent Concessions*.

Except as described below, the application of *the Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year has no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## **2.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 *Definition of Material***

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity”. The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

## **2.2 Impacts on application of Amendments to HKFRS 3 *Definition of a Business***

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

## **2.3 Impacts on early application of Amendment to HKFRS 16 *COVID-19-Related Rent Concessions***

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 *Leases* if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020.

## New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021

The directors of the Company anticipate that the application of all of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 3. REVENUE

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 interior design services and product design services, and trading income from trading of interior decorative products.

An analysis of the Group's revenue for the years ended 31 December 2020 and 31 December 2019 are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Service revenue	331,671	350,700
License fee revenue	2,237	1,670
Trading income	99,066	152,316
	<b>432,974</b>	<b>504,686</b>



## Disaggregation of revenue from contracts with customers

For the year ended 31 December 2020

	Interior design services <i>HK\$'000</i>	Interior decorating and furnishing services <i>HK\$'000</i>	Product design services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Geographical markets</b>				
Hong Kong	19,749	2,897	–	22,646
PRC	270,292	113,150	1,401	384,843
Other regions	24,021	191	1,273	25,485
	<u>314,062</u>	<u>116,238</u>	<u>2,674</u>	<u>432,974</u>
<b>Timing of revenue recognition</b>				
Over time				
Service revenue	<u>314,062</u>	<u>17,172</u>	<u>437</u>	<u>331,671</u>
At point in time				
License fee revenue	–	–	2,237	2,237
Trading income	–	99,066	–	99,066
	<u>–</u>	<u>99,066</u>	<u>2,237</u>	<u>101,303</u>
	<u>314,062</u>	<u>116,238</u>	<u>2,674</u>	<u>432,974</u>

For the year ended 31 December 2019

	Interior design services <i>HK\$'000</i>	Interior decorating and furnishing services <i>HK\$'000</i>	Product design services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Geographical markets</b>				
Hong Kong	30,376	8,119	–	38,495
PRC	274,599	168,157	311	443,067
Other regions	20,137	411	2,576	23,124
	<u>325,112</u>	<u>176,687</u>	<u>2,887</u>	<u>504,686</u>
<b>Timing of revenue recognition</b>				
Over time				
Service revenue	<u>325,112</u>	<u>24,371</u>	<u>1,217</u>	<u>350,700</u>
At point in time				
License fee revenue	–	–	1,670	1,670
Trading income	–	152,316	–	152,316
	<u>–</u>	<u>152,316</u>	<u>1,670</u>	<u>153,986</u>
	<u>325,112</u>	<u>176,687</u>	<u>2,887</u>	<u>504,686</u>

The Group provides interior design services, interior decorating and furnishing design services and product design services to customers. Such services are recognised as a performance obligation satisfied over time as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation using input method.

The Group's service contracts include payment schedules which require stage payments over the design period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits ranging from 10% to 20% of total contract sum, when the Group receives a deposit before design service commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the design services are performed, representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional upon meeting the billing milestones.

The Group sells interior decorative products and grant the right to use the Group's intellectual property to customers.

For trading of interior decorative products, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the specific location and confirmed by the customers. There is no credit period given on billing for trading of interior decorative products.

For license arrangement, revenue is recognised when the Group grant the right to use the Group's intellectual property. There is no credit period given on billing for license arrangement.

The expected timing of recognising revenue on transaction price related to the performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 is within one year. As permitted under HKFRS 15 *Revenue from Contracts with Customers*, the transaction price allocated to these unsatisfied contracts is not disclosed.

#### 4. OPERATING SEGMENTS

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 ("**CODM**"), i.e. the executive directors of the Company.

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 service and license arrangement for product design services

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

### Segment revenue and results

	Interior design services <i>HK\$'000</i>	Interior decorating and furnishing services <i>HK\$'000</i>	Product design services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the year ended 31 December 2020</b>				
<i>Revenue</i>				
Segment revenue from external customers	<u>314,062</u>	<u>116,238</u>	<u>2,674</u>	<u>432,974</u>
<i>Results</i>				
Segment results	<u>47,386</u>	<u>19,674</u>	<u>1,388</u>	68,448
Unallocated expenses				(11,455)
Interest income				5,078
Finance costs				<u>(4,385)</u>
Profit before taxation				<u>57,686</u>
	Interior design services <i>HK\$'000</i>	Interior decorating and furnishing services <i>HK\$'000</i>	Product design services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the year ended 31 December 2019 (restated)</b>				
<i>Revenue</i>				
Segment revenue from external customers	<u>325,112</u>	<u>176,687</u>	<u>2,887</u>	<u>504,686</u>
<i>Results</i>				
Segment results	<u>49,878</u>	<u>18,011</u>	<u>3</u>	67,892
Unallocated expenses				(9,001)
Interest income				4,906
Finance costs				<u>(2,662)</u>
Profit before taxation				<u>61,135</u>

*Note:* There is no inter-segment revenue for both years.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of certain unallocated expenses, interest income and finance costs. This is the measure reported to the CODMs for the purposes of resource allocation and performance assessment.

During the year ended 31 December 2020, the Group has launched stringent cost control over administrative expenses under the effect of outbreak of COVID-19. As a result, certain expenses such as staff costs and depreciation of right-of-use assets were reallocated to interior decorating and furnishing services segment based on the proportion of revenue generated by respective segments during the year ended 31 December 2020, for the purpose of better assessment of segment performance by the CODMs. Accordingly, the comparative figures were also restated.

The CODMs make decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODMs do not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

### Other segment information

Amounts included in the measure of segment results:

	Interior design services HK\$'000	Interior decorating and furnishing services HK\$'000	Total HK\$'000
<u>For the year ended 31 December 2020</u>			
Amortisation of intangible assets	744	–	744
Depreciation of property, plant and equipment	9,535	481	10,016
Depreciation of right-of-use assets	19,782	7,322	27,104
Loss on disposals of property, plant and equipment	561	14	575
Loss on disposals of intangible assets	126	–	126
Impairment losses on trade receivables under expected credit loss model	15,283	1,161	16,444
Impairment losses on contract assets under expected credit loss model	7,054	225	7,279

	Interior design services HK\$'000	Interior decorating and furnishing services HK\$'000	Total HK\$'000
--	--	--	-------------------

### For the year ended 31 December 2019

Amortisation of intangible assets	1,030	–	1,030
Depreciation of property, plant and equipment	7,869	524	8,393
Depreciation of right-of-use assets	15,142	8,229	23,371
Loss on disposals of property, plant and equipment	428	11	439
Impairment losses on trade receivables under expected credit loss model	4,124	–	4,124

## Geographical information

The Group's revenue from external customers is mainly derived from customers located in Hong Kong and the PRC, which is determined based on the location of projects.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
External revenue:		
Hong Kong	22,646	38,495
PRC	384,843	443,067
Other regions	25,485	23,124
	<u>432,974</u>	<u>504,686</u>

The Group's non-current assets (excluding deferred tax assets) are located in Hong Kong and the PRC, which is determined based on the geographical location of these assets.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PRC	65,698	49,595
Hong Kong	34,984	50,097
	<u>100,682</u>	<u>99,692</u>

## Information about major customers

During the year ended 31 December 2020 and 2019, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

## 5. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Exchange gain (loss), net	7,720	(2,620)
Loss on disposals of property, plant and equipment	(575)	(439)
Loss on disposals of intangible assets	(126)	—
	<u>7,019</u>	<u>(3,059)</u>

## 6. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Grants received from local government ( <i>Note 1</i> )	1,757	2,226
Interest income from bank deposits	1,517	1,350
PRC incentive rebates ( <i>Note 2</i> )	7,375	5,783
Interest income from note receivables	3,561	3,556
Miscellaneous income	2,186	757
	<u>16,396</u>	<u>13,672</u>

### Notes:

1. The grants were granted by the relevant PRC authorities to certain PRC subsidiaries of the Group. There were no other specific conditions to the grants and therefore, the Group recognised the grants upon approval being obtained from the relevant PRC authorities.
2. The amounts mainly include certain incentives to attract foreign investment from the relevant PRC tax authorities in the form of profits tax rebate in Tianjin, the PRC.

## 7. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank borrowings	1,539	695
Interest on lease liabilities	2,846	1,967
	<u>4,385</u>	<u>2,662</u>

## 8. INCOME TAX EXPENSE

	2020 HK\$'000	2019 HK\$'000
Current tax:		
Hong Kong Profits Tax	85	745
PRC Enterprise Income Tax	28,741	27,858
	<u>28,826</u>	<u>28,603</u>
Overprovision in prior years:		
Hong Kong Profits Tax	(828)	(457)
Deferred taxation	(4,946)	(7,137)
	<u>23,052</u>	<u>21,009</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entities will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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 years.

The EIT Law requires withholding tax to be levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, which are the beneficial owners of the dividend received.

The income tax expense for the year can be reconciled from the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit before taxation	<u><b>57,686</b></u>	<u>61,135</u>
Tax at applicable tax rate of 16.5% (2019: 16.5%)	<b>9,518</b>	10,087
Tax effect of income not taxable for tax purpose	<b>(2,464)</b>	(2,384)
Tax effect of expenses not deductible for tax purpose	<b>4,161</b>	4,055
Tax effect of tax losses not recognised	<b>2,575</b>	308
Utilisation of tax losses not recognised	<b>(82)</b>	–
Tax effect of reversal of tax losses previously recognised	<b>1,767</b>	–
Effect of different tax rate of the PRC subsidiaries operating in other jurisdiction	<b>8,405</b>	9,400
Overprovision in prior years	<u><b>(828)</b></u>	<u>(457)</u>
Income tax expense for the year	<u><b>23,052</b></u>	<u>21,009</u>

## 9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Amortisation of intangible assets		
– included in cost of sales	423	578
– included in administrative expenses	321	452
	<b>744</b>	1,030
COVID-19-related rent concessions	106	–
Auditors' remunerations	1,700	1,430
Cost of inventories recognised as an expense	60,638	97,789
Depreciation of right-of-use assets	27,104	23,371
Depreciation of property, plant and equipment	10,016	8,393
Staff costs ( <i>Note</i> ):		
Directors' emoluments	8,939	10,658
Other staffs		
– basic salaries, allowances and other benefits	144,320	158,201
– discretionary bonus	16,324	18,361
– retirement benefits scheme contributions	14,553	22,950
– expense recognised in respect of Conversion Scheme and share options scheme	1,061	891
	<b>176,258</b>	200,403
	<b>185,197</b>	211,061

*Note:* For the year ended 31 December 2020, COVID-19 related government assistance amounted to HK\$8,541,000 and HK\$8,791,000 in relation to the Employment Support Scheme provided by the Hong Kong Special Administrative Region Government and concession on retirement benefits scheme contributions granted by the relevant PRC government authorities respectively, have been offset against the staff costs of the Year.



## 10. DIVIDEND

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distributions during the year:		
2019 Final paid – HK1.30 cents (2018: HK2.50 cents) per share	14,821	28,501
2019 Special dividend, paid – Nil (2018: HK2.50 cents) per share	<u>–</u>	<u>28,501</u>
	<u><b>14,821</b></u>	<u><b>57,002</b></u>

A final dividend for the year ended 31 December 2020 of HK3.00 cents per share (2019: a final dividend of HK1.30 cents per share) amounting to HK\$34,228,000 (2019: HK\$14,821,000) in aggregate, has been proposed by the directors of the Company after the end of the reporting period and is subject to the approval of the shareholders at the forthcoming annual general meeting (“**AGM**”).

## 11. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Earnings</b>		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	<u><b>33,531</b></u>	<u><b>38,648</b></u>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,140,073,825	1,140,021,584
Effect of dilutive potential ordinary shares in respect of outstanding share options	<u>16,561,703</u>	<u>11,335,875</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>1,156,635,528</b></u>	<u><b>1,151,357,459</b></u>

## 12. RIGHT-OF-USE ASSETS

	Leased properties <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2020</b>				
Carrying amount	54,058	3,320	518	57,896
<b>As at 31 December 2019</b>				
Carrying amount	58,410	3,798	845	63,053
<b>For the year ended 31 December 2020</b>				
Depreciation charge	25,302	1,475	327	27,104
Expense relating to short-term leases				357
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets				106
Total cash outflow for leases				26,533
Additions to right-of-use assets				21,308
<b>For the year ended 31 December 2019</b>				
Depreciation charge	21,679	1,365	327	23,371
Expense relating to short-term leases				102
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets				134
Total cash outflow for leases				27,219
Additions to right-of-use assets				40,835

For both years, the Group leased various offices premises for its operations. Lease contracts are entered into for fixed term of 2 years to 5 years (2019: 1.8 years to 5 years). Lease terms are negotiated on an individual basis and contained different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applied the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office premises. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term expense disclosed above.

### Restriction or covenants on leases

The lease arrangements do not imposed any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purpose.

### Rent concessions

Rent concessions occurred as a direct consequence of COVID-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. For the year ended 31 December 2020, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK\$106,000 (2019: Nil) were recognised as negative variable lease payments.

### 13. NOTE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Fixed-rate note receivables	—	—

On 6 January 2020, the Group subscribed one short term note of HK\$60,000,000 with a fixed interest rate of 6% per annum (the “**Note**”) from an independent third party (the “**Counterparty**”) being the original maturity date with 31 March 2020. Subsequently, the maturity date was further extended to 30 June 2020 and 31 December 2020, respectively upon the signing of supplemental deeds with the Counterparty, and all other terms remained the same. As at 31 December 2020, the Group received the settlement in full from the Counterparty upon maturity date of the Note.

### 14. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	255,268	216,701
Less: allowance for credit losses	(35,370)	(17,755)
	<u>219,898</u>	<u>198,946</u>

Included in the carrying amount of trade receivables as at 31 December 2020 is an amount of HK\$11,667,000 (2019: HK\$11,662,000) due from related parties controlled by a controlling shareholder of the Company.

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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 to 30 days	107,953	116,702
31 to 90 days	34,096	24,100
91 to 180 days	14,051	11,173
Over 180 days	63,798	46,971
	<u>219,898</u>	<u>198,946</u>

There is no credit period given on billing for its interior design services, interior decorating and furnishing design services and product design services, license arrangement of interior design services and product design services, and trading of interior decorative products.

As at 31 December 2020, included in the Group’s trade receivables balance are debtors with aggregate carrying amount of HK\$219,898,000 (2019: HK\$198,946,000) which are past due as at the reporting date. Out of the past due balances, HK\$77,849,000 (2019: HK\$58,144,000) 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.

## 15. CONTRACT ASSETS

	2020 HK\$'000	2019 HK\$'000
<b>Contract assets</b>		
Interior design services	56,150	48,551
Interior decorating and furnishing design services	2,034	3,384
Less: Allowance for credit losses	(7,659)	—
	<u>50,525</u>	<u>51,935</u>

At 1 January 2019, contract assets amounted to HK\$62,950,000.

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 31 December 2020 is an amount of HK\$4,156,000 (2019: HK\$4,722,000) from related parties controlled by a controlling shareholder of the Company.

The Group's design services include payment schedules which require stage payments over the design period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 10% to 20% of total contract sum as part of its credit risk management policies.

There was no retention monies held by customers for contract works performed at the end of each reporting period.

The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

## 16. 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:

	2020 HK\$'000	2019 HK\$'000
0 to 180 days	15,891	26,303
Over 180 days	16,872	11,380
	<u>32,763</u>	<u>37,683</u>

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

	2020 HK\$'000	2019 HK\$'000
Accrued staff benefits	17,938	22,569
Deposits received from customers	18,442	24,229
Other payables and accrued charges	8,317	7,315
	<u>44,697</u>	<u>54,113</u>

## 17. BANK BORROWINGS AND PLEDGED BANK DEPOSITS

	2020 HK\$'000	2019 HK\$'000
Secured	20,969	3,618
Unsecured	5,094	30,000
	<u>26,063</u>	<u>33,618</u>
The carrying amounts of the above borrowings that do not contain a repayment on demand clause and are repayable based on the scheduled repayment dates set out in the loan agreements within one year	–	2,232
The carrying amounts of 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	<u>26,063</u>	<u>31,386</u>
	<u>26,063</u>	<u>33,618</u>

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

As at 31 December 2019, included in the Group's borrowings of HK\$30,000,000 and HK\$3,618,000 were variable-rate borrowings carrying interest at Hong Kong Interbank Offering Rate ("HIBOR") plus 2% to 3.75% and benchmark interest rates set by the People's Bank of China floating upward by 25%; these borrowings were fully repaid during the year ended 31 December 2020.

As at 31 December 2020, the secured borrowings were secured by pledged bank deposits amounting HK\$7,339,000 (2019: HK\$3,091,000), bearing interest of 1.55% (2019: 1.4% to 2.3%) per annum. HK\$5,094,000 (2019: HK\$10,000,000) of the group's unsecured borrowings are guaranteed by the Company.

As at 31 December 2019, included in the bank balances and cash a short-term bank deposit of HK\$3,750,000, which was carried interest at 2.4% per annum and had an original maturity of three months.

## 18. CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
<b>Contract liabilities</b>		
Interior design services	2,401	3,296
Interior decorating and furnishing services	15,935	10,545
	<u>18,336</u>	<u>13,841</u>

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

Movements in contract liabilities:

	2020 HK\$'000	2019 HK\$'000
Balance at the beginning of the year	13,841	20,316
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(11,938)	(19,087)
Increase in contract liabilities as a result of receiving deposits from the customers	15,508	12,657
Exchange realignments	925	(45)
Balance at the end of the year	<u>18,336</u>	<u>13,841</u>

When the Group receives a deposit before the design services commence, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

## 19. SHARE CAPITAL

	Number of shares	HK\$
Ordinary share of the Company of HK\$0.01 each		
<b>Authorised</b>		
At 1 January 2019, 31 December 2019 and 31 December 2020	4,000,000,000	40,000,000
<b>Issued and fully paid</b>		
At 1 January 2019	1,140,000,000	11,400,000
Issue of shares upon exercise of share options ( <i>Note 1</i> )	39,000	390
At 31 December 2019	1,140,039,000	11,400,390
Issue of shares upon exercise of share options ( <i>Note 2</i> )	150,000	1,500
Issue of shares upon exercise of share options ( <i>Note 3</i> )	729,000	7,290
At 31 December 2020	1,140,918,000	11,409,180

### Notes:

- On 13 June 2019, 39,000 ordinary shares of the Company were issued at a price of HK\$0.44 per share pursuant to exercise of share options under the Pre-IPO share option scheme adopted on 11 June 2018 by an employee of the Group.
- 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 options 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 options under the Pre-IPO share option scheme adopted on 11 June 2018 by an employee of the Group.

## 20. CAPITAL COMMITMENTS

	2020 HK\$'000	2019 HK\$'000
Capital expenditures in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	217	725

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Overview

2020 was a challenging year for businesses across industries and boundaries. In the first half of 2020, majority of projects in China were either suspended or partially postponed due to the outbreak of COVID-19 (“**COVID-19**”) and successive lockdowns in various cities. The deteriorating economic conditions, as a result of the lockdowns, had led to a significant decrease in consumption and investment appetite. The growing geo-political uncertainties had further impacted the already pessimistic market.

The real estate industry, one of the key contributors to the Group’s number of projects as well as revenue, took a great hit in the first half of 2020. According to Real Capital Analytics data, China’s commercial real estate transactions had plummeted by nearly 70% in February 2020. Considering the heavy upfront investment nature together with the worsening consumer sentiment, real estate developers were under pressure to stimulate sales in order to improve cash flow and cash conversion cycle. In response to such pressure, real estate developers had generally resorted to price cut and premium interior design to boost property value and sales volume. Such change in business tactics resulted in an increase in demand for premium interior design services, creating business opportunities for the established market players such as the Group. The market situation of interior decorating and furnishing business was, however, different as lockdowns in China had hindered the logistics arrangement of interior decorative products, causing delay in revenue recognition.

In the second half of 2020, although the Group’s business in China was less impacted by COVID-19, there were new challenges faced by the Group. Following the conference between the Ministry of Housing and Urban-Rural Development and People’s Bank of China held in August 2020, it came to the market’s attention that the governing bodies intended to control the scale of real estate developers’ debt through the introduction of “The Three Red Lines” policy. The red lines are: (i) a 70 per cent upper limit for a developer’s debt-to-asset ratio after excluding advance receipts; (ii) a 100 per cent upper limit for the net debt-to-equity ratio; and (iii) a one-to-one down limit ratio for cash against short-term debts. The developers would be classified based on the number of prescribed limits they breach and their debt growth will be capped accordingly. In response to this policy which could limit their debt-raising ability, real estate developers had become increasingly relied on price reduction and premium interior design to speed up their cash conversion cycle. Therefore, when selecting interior design service providers, they prefer established market players such as the Group due to their financial prudence, reliable design quality and quick turnaround time. Less established market players, on the other hand, might be forced to leave the market due to financial hardship.

On a global scale, as macro uncertainty persisted and the threat of COVID-19 largely remained, businesses continued to be stagnated and cautious attitude towards large spending continued to prevail.

## Business and Operational Review

Despite most businesses suffered from economic hardship during the Year, the Group prioritised client retention and acquisition as its primary goal to secure and expand revenue streams. In relation to client retention, the Group had actively reached out to real estate developers to understand their changing needs in interior design and to provide them with design insights. Together with a fast turnaround time for its services, the Group was able to minimise client loss and secure new projects from recurring clients, demonstrating the success of its client retention strategies and the trust and confidence placed by the real estate developers in the Group's design work.

In relation to acquisition, the Group continued to place a strong emphasis on brand promotion and recognition. The introduction of "SLD+", the Group's corporate culture center in Shanghai, demonstrated its latest effort to raise brand awareness and increase client acquisition. SLD+ offers a creative space for prospective clients and the Group's designers to exchange their vision and design of the Group in a visual and touch-and-feel manner. Through interactive and first-hand experience across different design settings, the prospective customers could learn about the Group's commitment to interior design over the past three decades as well as deep understanding on evolving design execution methods. Looking forward, the Group not only sees this platform as a means to educate the market on the latest interior design trends, but also one of the key channels to increase market penetration and client acquisition.

Supported by the growing brand equity and recent efforts on client retention and acquisition, the Group was able to maintain a strong client portfolio, with 37 out of the Top 50 real estate developers in China were the Group's customers and a relatively stable margin was maintained notwithstanding a reduction in the number of projects. The Group ranked first in the "Best Interior Design Firm" among the Top 500 Chinese Real Estate Enterprises for 2 consecutive years, a list considered as an important indicator of the industry position of real estate developers in China, which further demonstrates the Group's brand value and premium quality.

With the efforts mentioned above, the Group managed to maintain a low level of decrease in newly awarded contracts despite the reserved market sentiment. Newly awarded contract sum decreased from approximately HK\$645.1 million for the Previous Year to HK\$567.7 million for the Year. Yet, the remaining contract sum increased from approximately HK\$432.4 million for the Previous Year to HK\$493.4 million for the Year. The main reason is the decrease in revenue recognised from interior decorating and furnishing services due to suspension and delays in projects caused by COVID-19.

Financially, the Group also took active measures to ensure a lean cost structure and an agile business model to prepare for future challenges. Specifically, administrative expenses recorded a decrease of 8.5%, from approximately HK\$137.3 million for the Previous Year to approximately HK\$125.6 million for the Year, resulting from the decrease in average salaries and headcount caused by the Group's contractionary measures as well as the subsidies and concession granted from Hong Kong and PRC governments. In terms of financial position, the Group managed to maintain a low gearing ratio of approximately 5.3% (Previous Year: approximately 7.4%) and a healthy level of cash and cash equivalents at approximately HK\$275.3 million (Previous Year: approximately HK\$273.6 million), which could provide the Group with sufficient financial resources should any business opportunity arises. The Group strived to maintain an efficient cash conversion cycle, with cash conversion cycle slightly increased to 145 days during the Year (Previous Year: 112 days) mainly due to the increase in trade receivables.



## Overall Performance

During the Year, the Group recorded a total revenue of approximately HK\$433.0 million (Previous Year: HK\$504.7 million), representing a decrease of approximately 14.2%. Gross profit decreased by approximately 3.4%, from approximately HK\$194.6 million for the Previous Year to approximately HK\$187.9 million for the Year, whereas gross profit margin increased from approximately 38.6% for the Previous Year to approximately 43.4% for the Year, mainly attributable to the increase in the proportion of revenue contribution from the interior design services and the improvement in gross profit margin from the interior decorating and furnishing services.

Profit before taxation decreased by approximately 5.6%, from approximately HK\$61.1 million for the Previous Year to approximately HK\$57.7 million for the Year, mainly due to the significant expected credit loss recognised on trade receivables and contract assets during the Year as a result of COVID-19 pandemic. Benefited from stable profit margins, stringent cost control and government support, profit before taxation (excluding expected credit loss on trade receivables and contract assets) increased by approximately 24.7%, from approximately HK\$65.3 million for the Previous Year to approximately HK\$81.4 million for the Year. Profit attributable to owners of the Company decreased from approximately HK\$38.6 million for the Previous Year to approximately HK\$33.5 million for the Year.

Profit for the Year was approximately HK\$34.6 million (Previous Year: HK\$40.1 million). Basic earnings per share for the Year was approximately HK2.94 cents (Previous Year: HK3.39 cents). The Board proposed a final dividend of HK3.00 cents per share for the Year (Previous Year: final dividend of HK1.30 cents per share).

As at 31 December 2020, the Group's total assets were valued at approximately HK\$710.0 million (Previous Year: HK\$677.8 million), of which current assets were approximately HK\$583.5 million (Previous Year: HK\$556.8 million), being 3.4 times (Previous Year: 3.2 times) of the current liabilities. Equity attributable to the owners of the Company was approximately HK\$487.8 million (Previous Year: HK\$452.8 million).

The following table sets forth a breakdown of revenue by types of services and projects.

	For the year ended 31 December 2020					For the year ended 31 December 2019				
	Revenue from Interior Design Services	Revenue from Interior Decorating and Furnishing Services	Revenue from Product Design Services	Total	% of total revenue	Revenue from Interior Design Services	Revenue from Interior Decorating and Furnishing Services	Revenue from Product Design Services	Total	% of total revenue
	HK\$ million	HK\$ million	HK\$ million	HK\$ million		HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Residential project	219.6	109.4	-	329.0	76.0	206.9	157.2	-	364.1	72.1
Private residence project	26.6	2.7	-	29.3	6.8	32.0	6.2	-	38.2	7.6
Hospitality	29.1	1.1	-	30.2	7.0	31.0	5.5	-	36.5	7.2
Commercial project	15.9	0.5	-	16.4	3.8	36.0	2.7	-	38.7	7.7
Others	22.9	2.5	2.7	28.1	6.4	19.2	5.1	2.9	27.2	5.4
<b>Total</b>	<b>314.1</b>	<b>116.2</b>	<b>2.7</b>	<b>433.0</b>	<b>100.0</b>	<b>325.1</b>	<b>176.7</b>	<b>2.9</b>	<b>504.7</b>	<b>100.0</b>

## **Interior Design Services**

The Group delivered quality interior design works throughout the Year, Signature projects are: SLD<sup>+</sup>, SLD's Corporate Culture Centre, Shanghai, McDonald's CUBE Flagship Restaurant, Chengdu & Shenzhen, Ming Court, Hong Kong, Qujiang Rose Manor, Xi'an, The Impressive Lake Sales Office, Guiyang, The Waves, Sky Garden Sales Office, Hangzhou and GǎGǎNǎng, Hong Kong, etc.

Revenue of the interior design services, accounting for 72.5% of the total revenue during the Year (Previous Year: 64.4%), decreased from approximately HK\$325.1 million for the Previous Year, to approximately HK\$314.1 million for the Year. The decrease in revenue was mainly attributable to the decrease in newly awarded projects and slowing down of project progress as a consequence of market downturn. Notwithstanding a decrease in the segment revenue, segment gross profit stood at approximately HK\$137.3 million (Previous Year: HK\$134.6 million).

As at 31 December 2020, this business segment had a remaining contract sum of approximately HK\$281.0 million (31 December 2019: approximately HK\$290.3 million), which is expected to be realised based on the stage of completion of projects.

## **Interior Decorating and Furnishing Services**

The interior decorating and furnishing services segment commenced operation in 2016, and had achieved notable growth during the past three years. The revenue of interior decorating and furnishing services was only recognised upon delivery of interior decorative products to the physical sites. Since the logistics arrangement of interior decorative products was significantly hindered, particularly in the first quarter of 2020 due to the global outbreak of COVID-19, this business segment was adversely impacted. During the Year, this business segment contributed to 26.8% of the total revenue (Previous Year: 35.0%), representing a decrease in revenue of approximately 34.2%, from approximately HK\$176.7 million for the Previous Year to approximately HK\$116.2 million for the Year. As a result of the decrease in the segment revenue, gross profit also decreased from approximately HK\$60.0 million for the Previous Year to approximately HK\$48.5 million for the Year.

As at 31 December 2020, this business segment had a remaining contract sum of approximately HK\$212.4 million (31 December 2019: approximately HK\$142.1 million), which is expected to be realised based on the stage of completion of projects and the delivery of interior decorative products. Among the remaining contract sum of this business segment, approximately HK\$78.3 million (Previous Year: HK\$78.3 million) was attributable to a long-term project in Malaysia of which progress was delayed due to lockdown and expected to commence in late 2022.

## **Product Design Services**

Another important facet of the Group's operation is the product design services, which is complementary to our interior decorating and furnishing services, and can elevate the overall interior design, decorating and furnishing layout, and hence increase customer satisfaction. It also acts as an important channel for the Group's marketing and branding strategies.

In 2020, the Group developed new lines of design for its clients, such as "Ying" for Lualdi, "Loop of Charms" for Theodore Alexander, "Lilia" for Flou, "Huo" for Medea and "Liang" for Swarovski, which have enhanced the Group's brand value.

During the Year, revenue of this business segment maintained at a stable level at approximately HK\$2.7 million (Previous Year: HK\$2.9 million). This segment's revenue and profit depend on royalties received from its customers for the sale of the Group's design products and the time cost incurred in products design.

## **Awards and Accreditations for 2020**

The Group received numerous awards over the years due to continuous delivery of high quality interior design services and outstanding corporate performance.

### *Corporate Honours:*

Asia Pacific Eldercare Innovation Awards  
*Design Firm of the Year – Finalist*

Interior Design Magazine “2020 Top 100 Giants”  
*Top 1 position in “Residential Category”*  
*Top 20 position in overall global rankings*

2020 Top 500 China Real Estate Enterprises Award 2020 by China Real Estate Association and E-house China R&D Institute  
*Top 1 Best Interior Design Firm*

Good MPF Employer Award 2019 – 2020  
*Good MPF Employer 6 Years, E-Contribution Award & MPF Support Award*

China National Interior Design Association (CIDA)  
*China Top 10 Interior Design Organisations*

2020 INTERNI Global Design Power List  
*The 50 Most Influential Person of the Year*

### *Interior Design Awards:*

PRC Social Forces set up Science & Technology Awards – Elite Habitat Award  
*Senior Living – Award of Excellence – Hangzhou Senior Living*

### *Product Design Awards:*

Design Shanghai Picks  
*Swarovski – “LIANG”*

Archiproducts Design Awards 2020  
*Longlisted – Flou “Lilia” Armchair*

ELLE DECO Best of 2020  
*Best Efficiency Enablement Award – KOHLER KITCHENS Steve Leung Collection*

## Financial Review

### Revenue and Gross Profit

During the Year, the Group's revenue decreased approximately by HK\$71.7 million or 14.2%, from approximately HK\$504.7 million for the Previous Year to approximately HK\$433.0 million for the Year. Revenue from the interior design services decreased slightly from approximately HK\$325.1 million for the Previous Year to approximately HK\$314.1 million for the Year, representing approximately 64.4% and approximately 72.5% of the total revenue, respectively. Revenue from the interior decorating and furnishing services decreased from approximately HK\$176.7 million for the Previous Year to approximately HK\$116.2 million for the Year, representing approximately 35.0% and approximately 26.8% of the total revenue, respectively.

### Gross Profit by Segment

	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	HK\$ million	HK\$ million		HK\$ million	HK\$ million	
Interior Design Services	314.1	137.3	43.7%	325.1	134.6	41.4%
Interior Decorating & Furnishing Services	116.2	48.5	41.7%	176.7	60.0	34.0%
Product Design Services	2.7	2.1	77.8%	2.9	0.0	0.1%
Overall	<u>433.0</u>	<u>187.9</u>	<u>43.4%</u>	<u>504.7</u>	<u>194.6</u>	<u>38.6%</u>

The Group's gross profit decreased by approximately HK\$6.7 million or 3.4%, from approximately HK\$194.6 million for the Previous Year to approximately HK\$187.9 million for the Year, while gross profit margin increased to approximately 43.4% (Previous Year: 38.6%). The increase was primarily due to the increase in the proportion of revenue contribution from the interior design services and the improvement in gross profit margin from the interior decorating and furnishing services.

The interior decorating and furnishing services segment consists of (i) provision of interior design services; and (ii) trading of interior decorative products, both of which are under the growing stage. Given the higher costs incurred for procurement, the gross profit margin for trading of interior decorative products is generally lower than that of service income from providing interior design services. With three years of operational experience and established relationship with its suppliers, gross profit margin of the interior decorating and furnishing services segment had improved during the Year.

## **Remaining Contract Sum Movement**

	<b>Interior Design Services</b> <i>HK\$ million</i>	<b>Interior Decorating and Furnishing Services</b> <i>HK\$ million</i>	<b>Total</b> <i>HK\$ million</i>
<b>Remaining contract sum as at 1 January 2019</b>	<b>306.7</b>	<b>79.4</b>	<b>386.1</b>
Add: New contract sum awarded during the year	375.4	269.7	645.1
Less: VAT for new awarded contracts	(19.0)	(19.6)	(38.6)
Less: Revenue recognised during the year	(325.1)	(176.7)	(501.8)
Less: Purchase made	—	(4.7)	(4.7)
Less: Variation order	(30.1)	(0.7)	(30.8)
Less: Exchange realignment	(17.6)	(5.3)	(22.9)
<b>Remaining contract sum as at 31 December 2019</b>	<b>290.3</b>	<b>142.1</b>	<b>432.4</b>
Add: New contract sum awarded during the year	358.6	209.1	567.7
Less: VAT for newly awarded contracts	(16.4)	(21.9)	(38.3)
Less: Revenue recognised during the year	(314.1)	(116.2)	(430.3)
Less: Purchase made	—	(2.8)	(2.8)
Less: Variation order	(52.1)	(5.1)	(57.2)
Less: Exchange realignment	14.7	7.2	21.9
<b>Remaining contract sum as at 31 December 2020</b>	<b>281.0</b>	<b>212.4</b>	<b>493.4</b>

Due to the reduction of newly awarded contract sum and the timely conversion of contract sum to revenue during the Year, the remaining contract sum for the interior design services reduced from approximately HK\$290.3 million as at 31 December 2019 to approximately HK\$281.0 million as at 31 December 2020, while the remaining contract sum from the interior decorating and furnishing services increased from approximately HK\$142.1 million as at 31 December 2019 to approximately HK\$212.4 million as at 31 December 2020 as a consequence of delays in projects caused by COVID-19.

## **Other gains and losses**

The Group recorded other gains of approximately HK\$7.0 million for the Year (Previous Year: other losses of HK\$3.1 million), which were primarily derived from a net exchange gain resulting from appreciation of Renminbi.

## **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 increased significantly from approximately HK\$4.1 million for the Previous Year to approximately HK\$23.7 million for the Year, mainly due to the significant market and forward-looking uncertainties as a consequence of the COVID-19 pandemic during the Year. For details, please refer to the section headed “Corporate Finance and Risk Management – Credit Risk Exposure” of this announcement.

## **Other income**

Other income mainly includes government grants, the interest income from bank deposits and note receivables, and PRC incentive rebates. The increase of other income from approximately HK\$13.7 million to approximately HK\$16.4 million during the Year was mainly contributed from the increase in the PRC incentive rebates during the Year. For details, please refer to note 6 to the consolidated financial statements of this announcement.

### ***Administrative expenses***

The Group's administrative expenses decreased from approximately HK\$137.3 million to approximately HK\$125.6 million, representing a decrease of approximately 8.5% during the Year. The decrease was primarily due to subsidies provided by the Hong Kong government under the Employment Support Scheme, concession on certain social insurance, retirement fund and housing fund granted by the relevant PRC government authorities, and the reduction of overall staff cost and travelling costs as a result of the Group's contractionary measures.

### ***Finance costs***

The finance costs comprised the bank borrowings for financing the Group's operations and interest on lease liabilities. The increase in finance costs was mainly due to an increase in the overall interest rate of bank borrowings and the lease liabilities and an increase of the average bank borrowings during the Year. For details, please refer to note 7 to the consolidated financial statements of this announcement.

### ***Profit for the year***

The Group's profit for the year amounted to approximately HK\$34.6 million (Previous Year: HK\$40.1 million), representing a decrease of approximately HK\$5.5 million or approximately 13.7% mainly due to a decrease in total revenue and significant increase in the impairment loss on trade receivables and contract assets under expected credit loss model, with its effect partly offset with the increase in gross profit margin and the decrease in the administrative expenses as detailed above.

### ***Basic earnings per share***

The Company's basic earnings per share for the Year was approximately HK2.94 cents (Previous Year: HK3.39 cents), representing a decrease of approximately HK0.45 cents or 13.3%, which was in line with the decrease in profit for the Year. In addition, the basic earnings per share for the Year was calculated based on the weighted average number of 1,140,073,825 shares in issue during the Year, whilst basic earnings per share for the Previous Year was calculated based on the weighted average number of 1,140,021,584 shares then in issue. As such, the basic earnings per share for the Year was relatively lower than that of the Previous Year. Details of earnings per share are set out in note 11 to the consolidated financial statements of this announcement.

### ***Dividend***

The Board proposed a final dividend of HK3.00 cents per share for the Year (Previous Year: a final dividend of HK1.30 cents per share), subject to the approval of the shareholders of the Company at the forthcoming AGM.

### ***Outlook and Prospects***

Looking into 2021, the Group will remain cautiously attentive over the market conditions given the unpredictable macroeconomic environment across the globe, particularly when COVID-19 remains as a threat to the health and safety of global and local communities. Other uncertainties include the new administration of the US Government and their policies regarding Sino-US trade relationship, all of which play a crucial role in forming the global economic environment.

As China will formulate its 14th 5-year plan in 2021, it is uncertain as to whether the central government will adopt a prudent or loosening stance over real estate development through the introduction of new measures and policies. Nonetheless, the Group remains optimistic about the future market demand due to the use of COVID-19 vaccines. Supported by the Group's strong brand equity, premium service quality, proven track record and expansive client network, it is of the belief that the Group will be one of the key beneficiaries of such market movement.

The Group also identifies market disruption caused by COVID-19 pandemic as a potential business opportunity since smaller and less-established players may be squeezed out of the market, leaving room for expansion for established market players such as the Group. The Group will also actively pursue business opportunities with Hong Kong real estate developers about properties in the PRC, particularly the Greater Bay Area.

Lastly, the Group will continue to maintain its prudent financial position, ensuring sufficient operating cash flow to prepare for future challenges and to capture potential opportunities. Despite the uncertainties and challenges ahead, the Group will continue to uphold its brand value and stay competitive in the ever-changing business environment.

## **CORPORATE FINANCE AND RISK MANAGEMENT**

### **Liquidity and Financial Resources**

The management and control of the Group's financial, capital management and external financing functions are centralised at the headquarter 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 upon internally generated funds, bank borrowings and the net proceeds from the issue of shares by way of Hong Kong public offering and international placing on 5 July 2018 (the "**Global Offering**") to finance its operations and expansion.

As at 31 December 2020, the Group's total debt (representing total interest-bearing borrowings excluding lease liabilities arising from the adoption of HKFRS 16) to total assets ratio was approximately 3.7% (Previous Year: approximately 5.0%). The gearing ratio (net debt excluding lease liabilities arising from the adoption of HKFRS 16 to equity attributable to Owners of the Company) was 5.3% (Previous Year: 7.4%). As at 31 December 2020, the Group had net cash (i.e. bank balances and cash (including pledged bank deposits) less total debt) of approximately HK\$256.5 million (Previous Year: approximately HK\$243.1 million).



The bank borrowings of approximately HK\$21.0 million as at 31 December 2020 were secured by pledged bank deposits and approximately HK\$5.1 million were unsecured and guaranteed by the Company as disclosed in note 17 to the consolidated financial statements of this announcement. The bank borrowings of approximately HK\$3.6 million as at 31 December 2019 were secured by pledged bank deposits and HK\$10.0 million bank borrowings were unsecured and guaranteed by the Company as disclosed in note 17 to the consolidated financial statements of this announcement. Further costs for operations and expansion will be partially financed by the Group's unutilised bank facilities. As at 31 December 2020 and up to this announcement date, the bank borrowings are mainly for financing the Group's daily operation only.

The liquidity of the Group remains positive as the current ratio (i.e. current assets/current liabilities) of the Group as at the end of the Year was 3.4 (Previous Year: 3.2). 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 for development opportunities with a view to balancing the risk and opportunity in maximising shareholders' value.

As at 31 December 2020, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.4 million and approximately HK\$487.8 million, respectively (Previous Year: HK\$11.4 million and HK\$452.8 million, respectively).

### **Pledge of Assets**

As at 31 December 2020, bank borrowings of the Group were secured by pledged bank deposits of approximately HK\$7.3 million as disclosed in note 17 to the consolidated financial statements of this announcement. Other bank borrowings of the Group amounted to approximately HK\$5.1 million were unsecured and guaranteed by the Company.

### **Contingent Liabilities and Capital Commitments**

The Group did not have any significant contingent liabilities as at 31 December 2020 and 31 December 2019. For capital commitments, please refer to note 20 to the consolidated financial statements of this announcement. The Group intends to meet its capital commitments by internally generated funds.

### **Exposure to Fluctuations in Exchange Rates and Interest Rates and Corresponding Hedging Arrangement**

The Group's bank borrowings as at 31 December 2020 were in Hong Kong dollars and Renminbi and have been made at floating rates. The Group operates in various regions with different foreign currencies including Renminbi and United States Dollar. The exchange rates of United States Dollar was relatively stable while Renminbi was more volatile during the Year. The Group has no hedging arrangements for foreign currencies or interest rates. The Group reviews the exchange risk regularly and closely monitors the fluctuation of foreign currencies and will make proper adjustments and consider hedging if necessary.



## **Credit Risk Exposure**

The Group has adopted prudent credit policies to deal with credit risk exposure. In relation to the projects in progress (no matter in Hong Kong, the PRC or overseas), the major customers are institutional organisations and reputable property developers. However, due to the market uncertainties and forward-looking uncertainties as a consequence of the COVID-19 pandemic, the expected credit loss increased significantly during the Year. The Group's policy in respect of expected credit loss allowance for the Year was recorded at 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 31 December 2020, the accumulated expected credit loss allowance was HK\$43.1 million (31 December 2019: HK\$17.8 million), among which the accumulated expected credit loss allowance for trade receivables was HK\$35.4 million (31 December 2019: HK\$17.8 million) and the accumulated expected credit loss allowance for contract assets was HK\$7.7 million (31 December 2019: Nil). Although the overall settlement of trade receivables from clients were satisfactory, due to the uncertainties resulting from COVID-19 pandemic, the expected credit loss allowance had increased. The Group will continue to strengthen its cooperation with the 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 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 widen the revenue foundation of the Group, the Group is actively looking for opportunities in different project nature and business. The Group will evaluate the market conditions and adjust its strategy in a timely manner and make decisions to ensure the 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

Subsequent to the year ended 31 December 2020, a subsidiary of the Company subscribed three different low-risk investment funds (the “**Subscriptions**”). The investment funds are Cithara Global Multi-Strategy SPC – Cithara Series One Fund SP, FUTEU Special Growth Fund SPC – FUTEU International Bond Fund and Sino Opulence Multi-Value Strategy Fund SPC – Stable Growth Fund SP with subscription amount of HK\$30 million, USD2.5 million (equivalent to approximately HK\$20 million) and USD4 million (equivalent to approximately HK\$31 million), respectively.

The Directors are of the opinion that the Group has sufficient operating fund. As at 31 December 2020, the Group had more than HK\$270 million bank balances and cash (including approximately HK\$48 million unutilised net proceeds from the Global Offering) and approximately HK\$26 million bank borrowings. In order to strengthen and expand its interior design business for long-term benefits of the shareholders, the Group has been exploring ways to make use of the idle funds efficiency. The Board believes that the Subscriptions can expand and diversify the Group’s investment portfolio, enhance capital usage efficiency and increase investment returns of the Group. The Board further believes that the Subscriptions will not affect capital demand for operation of principal businesses and daily capital flow of the Company.

On the basis of the foregoing, the Directors and the Investment Committee consider that the Subscriptions are fair and reasonable and in the interests of the Company and the shareholders as a whole. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the funds, managers and their respective ultimate beneficial owner(s) are independent third parties to the Group.

Save as aforesaid, there were no other significant events subsequent to 31 December 2020 which may materially affect the Group’s operating and financial performance as at the date of this announcement.

## **SHARE CAPITAL**

Details of movements in the share capital of the Company during the Year are set out in note 19 to the consolidated financial statements of this announcement.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2020, the Group had approximately 560 (Previous Year: approximately 563) full-time employees. The total remuneration of the employees (including the directors' remuneration) were approximately HK\$185.2 million for the Year (Previous Year: HK\$211.1 million). The decrease in total remuneration of the employees was mainly due to the COVID-19 related government assistance under the Employment Support Scheme provided by the Hong Kong Special Administrative Region Government and concession on retirement benefits scheme contributions granted by the relevant PRC government authorities. The Group offers attractive remuneration policy, discretionary bonus and may also grant share options to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides external training programme which are complementary to certain job functions.

## **SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITION AND DISPOSALS**

For the purpose of obtaining a better interest rate on surplus funds, the Group subscribed a short-term note during the Year with a fixed interest rate of 6.0% per annum at a consideration of HK\$60.0 million. The note was matured on 31 December 2020 with consideration and accrued interest received on the maturity date.

As disclosed in the section headed "Event after the Reporting Period", the Group subscribed three different investment funds subsequent to the year ended 31 December 2020. The subscriptions are for the purposes of making use of the Group's idle funds efficiently to create higher investment returns for the Group and shareholders. The management of the Group will assess and monitor the funds performance and redeem at the appropriate time to protect the interests of the Group and shareholders.

The Group is subject to the market risks associated with its investments. The management of the Group will closely monitor the performance of the Group's investments from time to time and will consider taking risk management actions should the need arise.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets as at 31 December 2020.

## 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 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. As at 31 December 2020, the Net Proceeds received were applied as follows:

	Original allocation of Net Proceeds <i>HK\$ million</i>	Reallocation of unutilised Net Proceeds on 6 June 2019 <i>HK\$ million</i>	Utilised Net Proceeds up to 31 December 2019 <i>HK\$ million</i>	Unutilised Net Proceeds up to 31 December 2019 <i>HK\$ million</i>	Utilised Net Proceeds during the Year <i>HK\$ million</i>	Unutilised Net Proceeds up to 31 December 2020 <i>HK\$ million</i>
Strengthening the Group's interior design services and developing specialisation	67.0	(28.1)	(30.0)	8.9	(7.6)	1.3
Further developing the Group's interior decorating & furnishing services	31.1	7.2	(36.7)	1.6	(0.3)	1.3
Pursuing growth through selective mergers and acquisitions	28.4	11.6	–	40.0	–	40.0
Improving the Group's information technology systems	22.1	(5.7)	(16.4)	–	–	–
Repaying existing bank borrowings	19.0	–	(19.0)	–	–	–
Enhancing the Group's brand recognition	11.0	–	(5.9)	5.1	(2.6)	2.5
Further developing the Group's product design services	3.1	–	(3.1)	–	–	–
Working capital and other general corporate purposes	13.3	–	(13.3)	–	–	–
Developing a new brand (i.e. SL2.0) and teams for middle-end and specialised interior design services market	–	15.0	(2.5)	12.5	(8.8)	3.7
Total	195.0	–	(126.9)	68.1	(19.3)	48.8

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

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **FINAL DIVIDEND**

The Board proposed a final dividend for the Year in the amount of HK3.00 cents per share, which amounts to approximately HK\$34.2 million in total, to be paid on 29 October 2021. The payment of such final dividend will be subject to the approval of the shareholders of the Company at the forthcoming AGM. Notice of the AGM will be published on the Company's website and despatched to the shareholders in the manner required by the Listing Rules in due course.

### **CLOSURE OF REGISTER OF MEMBERS**

In order to establish entitlements to attend and voting at the AGM to be held on 28 May 2021, the register of members of the Company will be closed from 25 May 2021 to 28 May 2021, both days inclusive, during which no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, for registration not later than 4:30 p.m. on 24 May 2021 (Monday).

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from 4 June 2021 to 8 June 2021, accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Link Market Services (Hong Kong) Pty Limited, at Suite 1601, 16/F, Central Tower, 28 Queen's Road Central, Hong Kong, for registration not later than 4:30 p.m. on 3 June 2021 (Thursday).

### **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 Year.

### **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.

In the opinion of the Directors, the Company has complied, to the extent applicable and permissible with the code provisions as set out in the Code of Corporate Governance Practices and Corporate Governance Report as contained in Appendix I4 to the Listing Rules for the Year and up to the date of this announcement.

On 30 March 2020, due to other personal career development, Mr. Cheung Henry has resigned as the company secretary, the authorised representative (“**Authorised Representative**”) under Rule 3.05 of the Listing Rules and the member of the risk management committee (the “**Risk Management Committee**”) of the Company. Mr. Yip Kwok Hung Kevin and Ms. Choi Mei Bik have been appointed as joint company secretaries of the Company and Mr. Siu Man Hei has been appointed as the Authorised Representative and a member of the Risk Management Committee.

## **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 for Securities Transactions by Directors of Listed Issuer (the “**Model Code**”) set out in Appendix 10 of the Listing Rules. 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 Year.

## **AUDIT COMMITTEE REVIEW**

The audit committee of the Board (the “**Audit Committee**”) has reviewed with the Group’s management and auditor, Messrs. Deloitte Touche Tohmatsu, the accounting principles and policies adopted by the Group, and discussed the financial information of the Group and the annual results of the Group for the Year.

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. Members of the Audit Committee agree with the accounting treatments adopted in the preparation of the consolidated financial statements for the Year.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountant and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is available for reviewing on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sldgroup.com>), and the annual report of the Company for the year ended 31 December 2020 containing also the information required by the Listing Rules will be despatched to the Company's shareholders and published on the above websites in due course.

## **APPRECIATION**

On behalf of the Board, I would like to express my sincere gratitude to our staffs, shareholders, business partners and other professional parties for their support and commitment to the Group during these challenging years.

By Order of the Board  
**Steve Leung Design Group Limited**  
梁志天設計集團有限公司  
**Xu Xingli**  
Chairman

Hong Kong, 29 March 2021

*As at the date of this announcement, the executive Directors are Mr. Siu Man Hei (Chief Executive Officer), Mr. Yip Kwok Hung Kevin (Chief Financial Officer), Mr. Ding Chunya, Ms. Kau Wai Fun, the non-executive Directors are Mr. Xu Xingli (Chairman) and Mr. Huang Jianhong, and the independent non-executive Directors are Mr. Liu Yi, Mr. Sun Yansheng and Mr. Tsang Ho Ka Eugene.*