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## 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 2021

### FINANCIAL HIGHLIGHTS

	For the year ended 31 December		% Change
	2021 (Audited)	2020 (Audited)	
<b>Results:</b>			
Revenue (HK\$ million)	455.0	433.0	5.1%
Profit for the year (HK\$ million)	1.6	34.6	(95.4%)
Profit for the year attributable to owners of the Company (HK\$ million)	2.9	33.5	(91.3%)
<b>Financial Information:</b>			
Earnings per share (HK Cents)			
– basic	0.26	2.94	(91.2%)
– diluted	0.26	2.90	(91.0%)
Net assets value per share (HK\$)	0.42	0.44	(4.5%)

### Bank Balances and Cash:

As at 31 December 2021, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK\$246.7 million (Previous Year: approximately HK\$275.3 million).

### Special Dividend:

The Board proposed a special dividend of HK5.00 cents per share for the year ended 31 December 2021.

## 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 2021 (the “**Year**”) together with the audited comparative figures for the corresponding year ended 31 December 2020 (the “**Previous Year**”) as follows:

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

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Revenue	3	455,035	432,974
Cost of sales		<u>(266,139)</u>	<u>(245,036)</u>
Gross profit		188,896	187,938
Other gains and losses	5	5,579	7,019
Impairment losses on trade receivables and contract assets under expected credit loss model		(40,165)	(23,723)
Other income	6	7,184	16,396
Administrative expenses		(151,943)	(125,559)
Finance costs	7	<u>(4,010)</u>	<u>(4,385)</u>
Profit before taxation		5,541	57,686
Income tax expense	8	<u>(3,893)</u>	<u>(23,052)</u>
Profit for the year	9	<u>1,648</u>	<u>34,634</u>
<i>Other comprehensive income that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		<u>8,819</u>	<u>14,527</u>
Total comprehensive income for the year		<u>10,467</u>	<u>49,161</u>

	<i>NOTES</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Profit (loss) for the year attributable to:			
– Owners of the Company		<b>2,940</b>	33,531
– Non-controlling interests		<u><b>(1,292)</b></u>	<u>1,103</u>
		<u><b>1,648</b></u>	<u>34,634</u>
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		<b>11,559</b>	47,887
– Non-controlling interests		<u><b>(1,092)</b></u>	<u>1,274</u>
		<u><b>10,467</b></u>	<u>49,161</u>
Earnings per share (expressed in Hong Kong cents)			
– Basic	<i>11</i>	<u><b>0.26</b></u>	<u>2.94</u>
– Diluted		<u><b>0.26</b></u>	<u>2.90</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment		25,655	31,636
Right-of-use assets	12	44,128	57,896
Intangible assets		2,665	3,065
Goodwill		1,319	1,278
Deposits paid for acquisition of property, plant and equipment		347	1,572
Rental deposits		6,595	5,235
Deferred tax assets		<u>32,241</u>	<u>25,854</u>
		<u>112,950</u>	<u>126,536</u>
<b>Current Assets</b>			
Inventories		1,008	1,158
Financial assets at fair value through profit or loss	13	30,300	–
Trade receivables	14	172,591	219,898
Other receivables, deposits and prepayments		19,748	29,064
Contract assets	15	65,983	50,525
Tax recoverable		43	264
Pledged bank deposits		558	7,339
Bank balances and cash		<u>246,661</u>	<u>275,263</u>
		<u>536,892</u>	<u>583,511</u>
<b>Current Liabilities</b>			
Trade payables	16	36,996	32,763
Other payables and accrued charges	16	27,177	44,697
Bank borrowings	17	20,000	26,063
Lease liabilities		24,293	24,721
Contract liabilities	18	25,353	18,336
Tax liabilities		<u>16,001</u>	<u>25,401</u>
		<u>149,820</u>	<u>171,981</u>
<b>Net Current Assets</b>		<u>387,072</u>	<u>411,530</u>
<b>Total Assets less Current Liabilities</b>		<u>500,022</u>	<u>538,066</u>

	<i>NOTES</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>Capital and Reserves</b>			
Share capital	19	11,414	11,409
Reserves		<u>455,502</u>	<u>476,392</u>
Equity attributable to owners of the Company		<b>466,916</b>	487,801
Non-controlling interests		<u>10,968</u>	<u>12,060</u>
<b>Total Equity</b>		<u><b>477,884</b></u>	<u>499,861</u>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		228	1,959
Lease liabilities		<u>21,910</u>	<u>36,246</u>
		<u><b>22,138</b></u>	<u>38,205</u>
		<u><b>500,022</b></u>	<u>538,066</u>

# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

## I. GENERAL INFORMATION

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 consider that the Company’s ultimate holding company is Jangho Group Co., Ltd., a company incorporated in the People’s Republic of China (“**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 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

### **Basis of preparation of consolidated financial statements**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “**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 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial

statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16 *Leases* (“**HKFRS 16**”) and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

In the current year, the Group has applied 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 2021 for the preparation of the consolidated financial statements:

Amendments to HKAS 39, HKFRS 4, Interest Rate Benchmark Reform – Phase 2  
HKFRS 7, HKFRS 9 and HKFRS 16

In addition, the Group has early applied the Amendment to HKFRS 16 *COVID-19-Related Rent Concessions beyond 30 June 2021*.

Except as described below, the application of the amendments to HKFRSs in the current year had 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.

### **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; and
- 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 consolidated financial statements of the Group. The Group intends to use the practical expedients for future periods if they become applicable.

### **Impacts on early application of Amendment to HKFRS 16 COVID-19-Related Rent Concessions beyond 30 June 2021**

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of HKFRS 16 by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The early application of such amendment has had no material impact on the Group's financial positions and performance for the current and prior years.

### **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 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 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <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 April 2021

The Directors 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 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 2021 and 31 December 2020 is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Service revenue	361,212	331,671
License fee revenue	5,729	2,237
Trading income	<u>88,094</u>	<u>99,066</u>
	<u><b>455,035</b></u>	<u><b>432,974</b></u>



## Disaggregation of revenue from contracts with customers

For the year ended 31 December 2021

	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	26,577	3,561	86	30,224
PRC	281,917	102,601	5,408	389,926
Other regions	<u>30,278</u>	<u>2,781</u>	<u>1,826</u>	<u>34,885</u>
	<u><b>338,772</b></u>	<u><b>108,943</b></u>	<u><b>7,320</b></u>	<u><b>455,035</b></u>
<b>Timing of revenue recognition</b>				
Over time				
Service revenue	<u>338,772</u>	<u>20,849</u>	<u>1,591</u>	<u>361,212</u>
At point in time				
License fee revenue	–	–	5,729	5,729
Trading income	<u>–</u>	<u>88,094</u>	<u>–</u>	<u>88,094</u>
	<u>–</u>	<u>88,094</u>	<u>5,729</u>	<u>93,823</u>
	<u><b>338,772</b></u>	<u><b>108,943</b></u>	<u><b>7,320</b></u>	<u><b>455,035</b></u>

**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	<u>24,021</u>	<u>191</u>	<u>1,273</u>	<u>25,485</u>
	<u><u>314,062</u></u>	<u><u>116,238</u></u>	<u><u>2,674</u></u>	<u><u>432,974</u></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	<u>–</u>	<u>99,066</u>	<u>–</u>	<u>99,066</u>
	<u>–</u>	<u>99,066</u>	<u>2,237</u>	<u>101,303</u>
	<u><u>314,062</u></u>	<u><u>116,238</u></u>	<u><u>2,674</u></u>	<u><u>432,974</u></u>

The Group provides interior design services, interior decorating and furnishing 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 grants 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 been transferred, at which time the goods have been delivered to the specific location and confirmed by customers.

For license arrangement, revenue is recognised when the Group grants our customers the right to use the Group's intellectual property.

The expected timing of recognising revenue on transaction price related to the performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 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.

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

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 2021</b>				
<i>Revenue</i>				
Segment revenue from external customers	<u>338,772</u>	<u>108,943</u>	<u>7,320</u>	<u>455,035</u>
<i>Results</i>				
Segment results	<u>4,462</u>	<u>12,979</u>	<u>4,600</u>	22,041
Unallocated expenses ( <i>Note 1</i> )				(13,752)
Changes in fair value of financial assets at fair value through profit or loss ("FVTPL")				309
Interest income				953
Finance costs				<u>(4,010)</u>
Profit before taxation				<u>5,541</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 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 ( <i>Note 1</i> )				(11,455)
Interest income				5,078
Finance costs				<u>(4,385)</u>
Profit before taxation				<u>57,686</u>

*Notes:*

1. Unallocated expenses mainly represented headquarters expenses without allocation to segments.
2. 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, 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.

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***

	<b>Interior design services HK\$'000</b>	<b>Interior decorating and furnishing services HK\$'000</b>	<b>Total HK\$'000</b>
<b>For the year ended 31 December 2021</b>			
Amortisation of intangible assets	482	–	482
Depreciation of property, plant and equipment	13,357	373	13,730
Depreciation of right-of-use assets	19,716	6,340	26,056
Loss on disposals of property, plant and equipment	56	–	56
Loss on disposals of intangible assets	5	5	10
Impairment losses on trade receivables under expected credit losses (“ECL”) model	28,105	1,638	29,743
Impairment losses on contract assets under ECL model	<u>10,051</u>	<u>371</u>	<u>10,422</u>

	Interior design services <i>HK\$'000</i>	Interior decorating and furnishing services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the year ended 31 December 2020</b>			
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 ECL model	15,283	1,161	16,444
Impairment losses on contract assets under ECL model	<u>7,054</u>	<u>225</u>	<u>7,279</u>

### 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
External revenue:		
Hong Kong	30,224	22,646
PRC	389,926	384,843
Other regions	<u>34,885</u>	<u>25,485</u>
	<u><b>455,035</b></u>	<u><b>432,974</b></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PRC	53,973	65,698
Hong Kong	<u>26,736</u>	<u>34,984</u>
	<u><b>80,709</b></u>	<u><b>100,682</b></u>

### Information about major customers

During the years ended 31 December 2021 and 2020, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

## 5. OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Changes in fair value of financial assets at FVTPL	309	–
Exchange gain, net	3,191	7,720
Gain on lease modification	2,145	–
Loss on disposals of property, plant and equipment	(56)	(575)
Loss on disposals of intangible assets	(10)	(126)
	<u>5,579</u>	<u>7,019</u>

## 6. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Grants received from local government ( <i>Note 1</i> )	769	1,757
Interest income from bank deposits	953	1,517
PRC incentive rebates ( <i>Note 2</i> )	2,991	7,375
Interest income from note receivables	–	3,561
Miscellaneous income	2,471	2,186
	<u>7,184</u>	<u>16,396</u>

### *Notes:*

1. The grants were granted by the PRC government 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 PRC government authorities.
2. The amounts mainly include certain incentives to attract foreign investment from the relevant PRC authorities in the form of profits tax rebates in Tianjin, the PRC.

## 7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings	1,721	1,539
Interest on lease liabilities	<u>2,289</u>	<u>2,846</u>
	<u><u>4,010</u></u>	<u><u>4,385</u></u>

## 8. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	118	85
PRC Enterprise Income Tax	<u>11,319</u>	<u>28,741</u>
	<u>11,437</u>	<u>28,826</u>
Over (under) provision in prior years:		
Hong Kong Profits Tax	(30)	(828)
PRC Enterprise Income Tax	<u>207</u>	<u>–</u>
	<u>177</u>	<u>(828)</u>
Deferred taxation	<u>(7,721)</u>	<u>(4,946)</u>
	<u><u>3,893</u></u>	<u><u>23,052</u></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 entity 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 considered the amount involved upon implementation of the two-tiered profits tax rates 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:

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Profit before taxation	<u><b>5,541</b></u>	<u>57,686</u>
Tax at applicable tax rate of 16.5% (2020: 16.5%)	<b>914</b>	9,518
Tax effect of income not taxable for tax purpose	<b>(2,879)</b>	(2,464)
Tax effect of expenses not deductible for tax purpose	<b>563</b>	4,161
Tax effect of tax losses not recognised	<b>2,525</b>	2,575
Utilisation of tax losses previously not recognised	–	(82)
Tax effect of reversal of tax losses previously recognised	–	1,767
Effect of different tax rate of the PRC subsidiaries operating in other jurisdiction	<b>2,593</b>	8,405
Under (over) provision in prior years	<u><b>177</b></u>	<u>(828)</u>
Income tax expense for the year	<u><b>3,893</b></u>	<u>23,052</u>

## 9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amortisation of intangible assets		
– included in cost of sales	242	423
– included in administrative expenses	240	321
	<b>482</b>	<b>744</b>
COVID-19-related rent concessions	–	106
Auditor's remunerations	1,080	1,700
Cost of inventories recognised as an expense	55,782	60,638
Depreciation of right-of-use assets	26,056	27,104
Depreciation of property, plant and equipment	13,730	10,016
Staff costs ( <i>Note</i> ):		
Directors' emoluments	12,459	11,054
Other staff		
– basic salaries, allowances and other benefits	167,853	143,989
– discretionary bonus	28,484	18,041
– retirement benefits scheme contributions	23,837	14,553
– expense recognised in respect of conversion scheme and share option scheme	1,048	1,061
	<b>221,222</b>	<b>177,644</b>
	<b>233,681</b>	<b>188,698</b>

*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 under the Anti-epidemic Fund launched by the Hong Kong Special Administrative Region (“HKSAR”) Government and concession on retirement benefits scheme contributions granted by the relevant PRC government authorities respectively, have been offset against the staff costs.

## 10. DIVIDEND

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distributions during the year:		
2020 Final paid-HK3.00 cents (2019: HK1.30 cents) per share	<u>34,228</u>	<u>14,821</u>

A special dividend for the year ended 31 December 2021 of HK5.00 cents per share (2020: a final dividend of HK3.00 cents per share) amounting to HK\$57,070,000 (2020: HK\$34,228,000) in aggregate, has been proposed by the Directors after the end of the reporting period and is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

## 11. EARNINGS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Earnings</b>		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>2,940</u>	<u>33,531</u>
	2021	2020
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,140,969,750	1,140,073,825
Effect of dilutive potential ordinary shares in respect of outstanding share options	<u>10,665,415</u>	<u>16,561,703</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>1,151,635,165</u>	<u>1,156,635,528</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 2021</b>				
Carrying amount	40,728	3,209	191	44,128
<b>As at 31 December 2020</b>				
Carrying amount	54,058	3,320	518	57,896
<b>For the year ended 31 December 2021</b>				
Depreciation charge	24,366	1,363	327	26,056
Effect of lease modification				2,973
Expense relating to short-term leases				416
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets				20
Total cash flow for leases				27,688
Additions to right-of-use assets				8,411
<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 flow for leases				26,533
Additions to right-of-use assets				21,308

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 (2020: 2 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 2021 and 2020, 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 impose 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 were recognised as negative variable lease payments.

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Financial assets at FVTPL</b>		
– Unlisted fund investments	<u>30,300</u>	<u>–</u>

### 14. TRADE RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	238,282	255,268
Less: allowance for credit losses	<u>(65,691)</u>	<u>(35,370)</u>
	<u>172,591</u>	<u>219,898</u>

Included in the carrying amount of trade receivables as at 31 December 2021 is an amount of HK\$12,581,000 (2020: HK\$11,667,000) due from related parties controlled by a controlling shareholder of the Company.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 30 days	96,005	107,953
31 to 90 days	19,026	34,096
91 to 180 days	12,019	14,051
Over 180 days	<u>45,541</u>	<u>63,798</u>
	<u>172,591</u>	<u>219,898</u>

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

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$172,591,000 (2020: HK\$219,898,000) which are past due as at the reporting date. Out of the past due balances, HK\$57,560,000 (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.

## 15. CONTRACT ASSETS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interior design services	80,386	56,150
Interior decorating and furnishing services	4,071	2,034
Less: allowance for credit losses	<u>(18,474)</u>	<u>(7,659)</u>
	<u><b>65,983</b></u>	<u><b>50,525</b></u>

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditional 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 2021 is an amount of HK\$2,314,000 (2020: HK\$4,156,000) 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 construction 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 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 to 180 days	26,726	15,891
Over 180 days	<u>10,270</u>	<u>16,872</u>
	<u><b>36,996</b></u>	<u><b>32,763</b></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accrued staff benefits	20,610	17,938
Deposits received from customers	127	18,442
Other payables and accrued charges	<u>6,440</u>	<u>8,317</u>
	<u><u>27,177</u></u>	<u><u>44,697</u></u>

## 17. BANK BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Secured	–	20,969
Unsecured	<u>20,000</u>	<u>5,094</u>
	<u><u>20,000</u></u>	<u><u>26,063</u></u>

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

<u><u>20,000</u></u>	<u><u>26,063</u></u>
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As at 31 December 2021, included in the Group's borrowings are variable-rate borrowings of HK\$20,000,000 carrying interest at 3.25% over Hong Kong Interbank Offering Rate.

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 year ended 31 December 2021. HK\$20,000,000 (31 December 2020: HK\$5,094,000) of the Group's unsecured borrowings are guaranteed by the Company.

## 18. CONTRACT LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interior design services	10,486	2,401
Interior decorating and furnishing services	<u>14,867</u>	<u>15,935</u>
	<u><u>25,353</u></u>	<u><u>18,336</u></u>

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

Movements in contract liabilities:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance at the beginning of the year	18,336	13,841
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	(13,333)	(11,938)
Increase in contract liabilities as a result of receiving deposits from the customers	19,350	15,508
Exchange realignments	<u>1,000</u>	<u>925</u>
Balance at the end of the year	<u><u>25,353</u></u>	<u><u>18,336</u></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 2020, 31 December 2020 and 31 December 2021	<u>4,000,000,000</u>	<u>40,000,000</u>
<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)	<u>729,000</u>	<u>7,290</u>
At 31 December 2020	1,140,918,000	11,409,180
Issue of shares upon exercise of share options (Note 3)	<u>483,000</u>	<u>4,830</u>
At 31 December 2021	<u>1,141,401,000</u>	<u>11,414,010</u>

### 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.
- On 22 November 2021, 483,000 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.

## 20. CAPITAL COMMITMENTS

	2021 HK\$'000	2020 HK\$'000
Capital expenditures in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u>-</u>	<u>217</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Overview

Despite the resurgence of Coronavirus disease (“**COVID-19**”) cases in 2021, the PRC’s economy has largely stabilised and is rebounding from the pandemic recession, as reflected in its strong GDP growth of 8.1%, supported by the high rate of vaccination as well as the increasing effectiveness in the implementation of epidemic control measures. Yet, the general optimism did not exactly extend to the real estate sector in the PRC. The PRC government continues to adhere to its core principle of “Houses are for living in, not for speculation”, and has introduced a number of regulatory measures, including the implementation of “The Three Red Lines” policy, strictly prohibiting excessive leverage among property developers. According to the report of CRIC China (the “**CRIC Research Report**”), the financing volume of the 100 typical real estate enterprises in 2021 was RMB1,287.3 billion, down by 26%, leading to the first negative growth in the recent five years, and also being the lowest point in five years. The fallout of the Evergrande debt crisis has further dented developers’ sentiment and project capability, with companies now facing greater receivable risks on top of shrinking capital supply.

The combination of factors such as resurgence of COVID-19 cases, restrictions on domestic home purchases, tightening financing policy, and events of default of some property developers have led to frustrated market confidence, and increased wait-and-see sentiment among home buyers. The CRIC Research Report also revealed that the annual cumulative sales of the top 100 real estate enterprises fell by 3% during the Year. This is the first time since 2010 that the sales growth rate of large-scale real estate companies has turned negative. As a result, the transaction volume was stagnant, resulting in missed guidance on “Golden September, Silver October” (“金九銀十”), a traditional busy season of the real estate market. The sales weakness, in turn, could also further amplify the capital liquidity issues among property developers.

Coupled with significant capital constraints from regulators, banks and suppliers, real estate developers have become increasingly reliant on sales in order to maintain cash flow. Interior design is one of the key differentiators to increase sales and drive cash conversion in the increasingly competitive market. Based on the above, it often favoured well-established, reputable and premium interior design companies, as they provided financial stability and work quality at the same time. As a result, the Group is well prepared to boost its orders and market share through organic growth and market consolidation.

### Business and Operational Review

Despite most businesses suffering from economic hardship, the Group stands firm in the difficult market, and has gained growing brand recognition from property developers. During the Year, the Group has established several significant partnerships for bringing more sophisticated design work to life, as well as making progress in acquiring new clients.

In April 2021, the Group announced a strategic partnership between Steve Leung Casa (SLC), its design label which is dedicated to creating bespoke luxury private residences, and Red Star Macalline Decoration Industry Group, a leading home furniture brand which is committed to providing lifestyle design services in China, as both aims to provide the finest design solutions for luxury homes, and inspire new standard for private residences. With the benefit of Red Star Macalline's wealth of experience in home improvement, furnishing services and brand resources, the collaboration would not only enhance the Group's client reach but also allow the Group to further expand its presence among private residence projects, essentially reducing its concentration risks from residential projects. During the Year, revenue from private residence projects increased from approximately HK\$29.3 million for the Previous Year to approximately HK\$31.6 million for the Year, representing a growth of approximately 7.8%.

In addition, the Group has also completed an increasing number of hospitality and commercial projects during the Year, including the debuting of Club C+, the first exclusive social lounge of Mr. Steve Leung, founder of the Group, which blends Chinese contemporary design and British accents into a speakeasy-inspired venue for hosting the most exclusive clientele and prestigious private events in Hong Kong. Also, following the successful debut of the first and second McDonald's CUBE flagship restaurants in Chengdu and Shenzhen in December 2020, the Group has partnered again with McDonald's China to introduce the third CUBE flagship restaurant in Shanghai. With a strong commitment to environmental responsibility, the flagship store is also set to become pioneering McDonald's restaurant in China to ever receive the LEED platinum certification, translating the restaurant space into a modern landmark that celebrates urban green living. During the Year, revenue from hospitality and commercial projects has increased from approximately HK\$30.2 million and HK\$16.4 million for the Previous Year, to approximately HK\$42.7 million and HK\$35.2 million for the Year, representing a growth of approximately 41.4% and 114.6%, respectively.

Riding on the high-quality design work as well as growing brand profile, the Group managed to maintain a good volume newly awarded contracts despite unfavourable market development. In particular, new contract sum awarded has increased from approximately HK\$567.7 million for the Previous Year to approximately HK\$609.2 million for the Year, laying a solid foundation for revenue of current and upcoming years.

## **Overall Performance**

During the Year, the Group recorded a total revenue of approximately HK\$455.0 million (Previous Year: HK\$433.0 million), representing an increase of approximately 5.1%. Gross profit slightly increased by approximately 0.5%, from approximately HK\$187.9 million for the Previous Year to approximately HK\$188.9 million for the Year, whereas gross profit margin decreased from approximately 43.4% for the Previous Year to approximately 41.5% for the Year, mainly attributable to the increase in cost of sales.

Profit for the Year decreased by approximately 95.2%, from approximately HK\$34.6 million for the Previous Year to approximately HK\$1.6 million for the Year, mainly due to the significant increase in the impairment losses on trade receivables and contract assets during the Year as a result of increased uncertainty on the settlement from clients and the cease of government subsidies from the Employment Support Scheme under the Anti-epidemic Fund launched by HKSAR government and concession on certain social insurance, retirement fund and housing fund granted by the governmental authorities of the PRC. Profit attributable to owners of the Company also decreased from approximately HK\$33.5 million for the Previous Year to approximately HK\$2.9 million for the Year.

Coinciding with the celebration of the 25th anniversary of the Group and for the purpose of distributing part of the cash surplus for the Year to the shareholders of the Company (the “Shareholders”), the Board proposed a special dividend of HK5.00 cents per share for the Year (Previous Year: final dividend of HK3.00 cents per share).

As at 31 December 2021, the Group’s total assets were valued at approximately HK\$649.8 million (Previous Year: HK\$710.0 million), of which current assets were approximately HK\$536.9 million (Previous Year: HK\$583.5 million), being 3.6 times (Previous Year: 3.4 times) of the current liabilities. Equity attributable to the owners of the Company was approximately HK\$466.9 million (Previous Year: HK\$487.8 million).

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

	For the year ended 31 December 2021					For the year ended 31 December 2020				
	Revenue from Interior				% of total revenue	Revenue from Interior				% of total revenue
	Revenue from Interior	Decorating	Revenue and from Product	Total		Revenue from Interior	Decorating	Revenue and from Product	Total	
	Design Services	Furnishing Services	Design Services		Design Services	Design Services	Furnishing Services	Design Services		
HK\$ million	HK\$ million	HK\$ million	HK\$ million		HK\$ million	HK\$ million	HK\$ million	HK\$ million		
Residential project	222.4	98.9	-	321.3	70.6	219.6	109.4	-	329.0	76.0
Private residence project	29.0	2.6	-	31.6	6.9	26.6	2.7	-	29.3	6.8
Hospitality	41.1	1.6	-	42.7	9.4	29.1	1.1	-	30.2	7.0
Commercial project	30.1	5.1	-	35.2	7.7	15.9	0.5	-	16.4	3.8
Others	16.2	0.7	7.3	24.2	5.4	22.9	2.5	2.7	28.1	6.4
<b>Total</b>	<b>338.8</b>	<b>108.9</b>	<b>7.3</b>	<b>455.0</b>	<b>100.0</b>	<b>314.1</b>	<b>116.2</b>	<b>2.7</b>	<b>433.0</b>	<b>100.0</b>

## Interior Design Services

The Group delivered quality interior design services throughout the Year, and the signature projects include: McDonald’s “CUBE” Flagship Restaurant, Shanghai, CLUB C+, Hong Kong, Wilmar International Headquarters, Singapore, vip.com Headquarters, Guangzhou, Xiamen Habitat Design and Life Festival, Xiamen, Showflat at Cloud Valley, Xi’an, etc.

Revenue for the interior design services increased from approximately HK\$314.1 million for the Previous Year to approximately HK\$338.8 million for the Year, accounting for approximately 74.5% of the total revenue during the Year (Previous Year: 72.5%). Such increase was mainly attributable to the increase in newly awarded projects. In-line with the increase in revenue, segment gross profit also increased to approximately HK\$141.0 million (Previous Year: HK\$137.3 million).

As at 31 December 2021, this business segment had a remaining contract sum of approximately HK\$294.6 million (31 December 2020: approximately HK\$281.0 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 business commenced operation in 2016, and has achieved notable growth during the past few years. This segment complements with the interior design services provided by the Group to further perfect our projects, and the signature projects in the Year include God of Teppanyaki, Hong Kong and Showflat at Changsha IFS Sky Villa, Changsha.

Revenue for the interior decorating and furnishing services business was largely contributed by the trading of interior decorative products, which would be recognised upon delivery of interior decorative products to the physical sites. Even the PRC market has recovered since the out break of COVID-19, demand for show flats and logistics for delivery of furniture and fixtures products were still adversely impacted by the conservative approach of our clients as a consequence of their capital liquidity control and precautionary measures against COVID-19.

During the Year, revenue for this segment recorded a decrease of approximately 6.3% to approximately HK\$108.9 million (Previous Year: HK\$116.2 million), contributed approximately 23.9% of total revenue (Previous Year: 26.8%). As a result of the decrease in the segment revenue, gross profit also decreased from approximately HK\$48.5 million for the Previous Year to approximately HK\$40.9 million for the Year.

As at 31 December 2021, this business segment had a remaining contract sum of approximately HK\$127.6 million (31 December 2020: approximately HK\$212.4 million), which is expected to be realised based on the stage of completion of projects and the delivery of interior decorative products. The significant reduction of the remaining contract sum of this business segment was mainly attributable to the cancellation of a long-term project in Malaysia of approximately HK\$78.3 million as a result of the substantial delay in project progress due to lockdown of the country.

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

## **Product Design Services**

Another important segment of the Group's operation is the provision of product design services, which in turn adds 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 Year, the segment continued to perform steadily, with revenue reaching approximately HK\$7.3 million (Previous Year: HK\$2.7 million). This segment's revenue and profit depend on royalties received from its customers for the sale of the Group's design products, as well as the time cost incurred in products design.

## **Awards and Accreditations for 2021**

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

### *Corporate Honours:*

Andrew Martin International Interior Design Awards  
(Known as the Oscars of the interior design profession)  
*Awarded for 16 times during the years*

《Architectural Digest》 AD100 2021  
*The 100 Most Influential Architects and Interior Designers in China*

APSDA Awards 2021  
*Designer of the Year*

2021 Top 500 China Real Estate Enterprises Award by China Real Estate Association and E-house China R&D Institute  
*Top 1 Best Interior Design Firm*

Interior Design Magazine "2021 Top 100 Giants"  
*Top 3 position in "Residential Category"*  
*Top 21 position in overall global rankings*

### *Interior Design Awards:*

International Design Awards  
*Silver – Interior Design – Restaurants & Bars – The The St. Regis Bar, Macao*  
*Honorable Mention – Interior Design – McDonald's CUBE Flagship Restaurant, Chengdu*

2021 ELLE Decoration China Interior Design Awards  
*Winner – The Best Commercial Comprehensive Project – SLD+*

Interior Design US Best of Year Awards

*Honoree – Counter Service – McDonald’s CUBE Flagship Restaurant, Chengdu*

IIDA Best of Asia Pacific Design Awards

*Winner – Restaurants, Lounges & Bars – The St. Regis Bar, Macao*

Restaurant & Bar Design Awards

*Finalist – Luxury – The St. Regis Bar, Macao*

International Hotel & Property Awards 2021 by Design et al magazine

*Finalist – Global: Hotel Over 200 Rooms – The Londoner Macao*

*Finalist – Asia Pacific: Hotel Over 200 Rooms – The Londoner Macao*

Sleeper 2021 AHEAD (Awards for Hospitality Experience & Design) Asia Awards

*Finalist – Bar, Club or Lounge – The St. Regis Bar, Macao*

2021 CIDA Yearbook – China Interior Design Annual

*Commercial space – Moorgen Smart Home Experience Center*

## **Financial Review**

### ***Revenue and Gross Profit***

During the Year, the Group’s revenue increased by approximately HK\$22.0 million or 5.1%, from approximately HK\$433.0 million for the Previous Year to approximately HK\$455.0 million for the Year. Revenue from the interior design services increased from approximately HK\$314.1 million for the Previous Year to approximately HK\$338.8 million for the Year, representing approximately 72.5% and approximately 74.5% of the total revenue, respectively. Revenue from the interior decorating and furnishing services decreased from approximately HK\$116.2 million for the Previous Year to approximately HK\$108.9 million for the Year, representing approximately 26.8% and approximately 23.9% of the total revenue, respectively.

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

**Gross Profit by Segment**

	For the year ended 31 December 2021			For the year ended 31 December 2020		
	Revenue <i>HK\$ million</i>	Gross profit <i>HK\$ million</i>	Gross profit margin	Revenue <i>HK\$ million</i>	Gross profit <i>HK\$ million</i>	Gross profit margin
Interior Design Services	338.8	141.0	41.6%	314.1	137.3	43.7%
Interior Decorating & Furnishing Services	108.9	40.9	37.6%	116.2	48.5	41.7%
Product Design Services	7.3	7.0	95.9%	2.7	2.1	77.8%
Overall	<u>455.0</u>	<u>188.9</u>	<u>41.5%</u>	<u>433.0</u>	<u>187.9</u>	<u>43.4%</u>

The Group's gross profit slightly increased by approximately HK\$1.0 million or 0.5%, from approximately HK\$187.9 million for the Previous Year to approximately HK\$188.9 million for the Year, while gross profit margin decreased to approximately 41.5% (Previous Year: 43.4%). The decrease was primarily due to the increase in cost of sales, which mainly resulted from the cease of government subsidies and concession during the Year.

The interior decorating and furnishing services segment consists of provision of interior decorating and furnishing design services and trading of interior decorative products. The gross profit margin of the interior design services and interior decorating and furnishing services have both decreased. Other than the increase in cost of sales as mentioned above, in particular for the interior decorating and furnishing segment, the overall material cost has also increased during the Year as a result of the global supply chain difficulties. It is expected that this may continue to affect the segment performance for a period of time in the foreseeable future.



The following states the Group's remaining contract sum to be recognised in profit or loss and its movement 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</b>			
<b>1 January 2020</b>	290.3	142.1	432.4
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)
Add: Exchange realignments	<u>14.7</u>	<u>7.2</u>	<u>21.9</u>
<b>Remaining contract sum as at</b>			
<b>31 December 2020</b>	281.0	212.4	493.4
Add: New contract sum awarded during the year	426.4	182.8	609.2
Less: VAT for newly awarded contracts	(21.3)	(19.5)	(40.8)
Less: Revenue recognised during the year	(338.8)	(108.9)	(447.7)
Less: Purchase made	–	(5.0)	(5.0)
Less: Variation order	(65.1)	(137.7)	(202.8)
Add: Exchange realignments	<u>12.4</u>	<u>3.5</u>	<u>15.9</u>
<b>Remaining contract sum as at</b>			
<b>31 December 2021</b>	<u>294.6</u>	<u>127.6</u>	<u>422.2</u>

Due to the increase in newly awarded contract sum during the Year, the remaining contract sum for the interior design services increased from approximately HK\$281.0 million as at 31 December 2020 to approximately HK\$294.6 million as at 31 December 2021. The remaining contract sum for the interior decorating and furnishing services reduced from approximately HK\$212.4 million as at 31 December 2020 to approximately HK\$127.6 million as at 31 December 2021 which was mainly attributable to the cancellation of a project in Malaysia with contract sum of approximately HK\$78.3 million as a result of the substantial delay in project progress due to the outbreak of COVID-19 and lockdown of the country.

### ***Other gains and losses***

The Group recorded other gains of approximately HK\$5.6 million for the Year (Previous Year: other gains of HK\$7.0 million), which were primarily derived from the fair value gain of the financial assets at FVTPL, gain on lease modification and net exchange gain resulting from appreciation of Renminbi.

### ***Impairment losses on trade receivables and contract assets under ECL model***

The impairment losses on trade receivables and contract assets increased significantly from approximately HK\$23.7 million for the Previous Year to approximately HK\$40.2 million for the Year, mainly due to the increased uncertainty on the settlement from clients during the Year. Some of the residential property developer clients of the Group appear to be in severe financial difficulties and there are evidence that indicate their trade receivables and contract assets might be credit impaired, such as default on their bonds.

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 the PRC incentive rebates. The decrease of other income from approximately HK\$16.4 million to approximately HK\$7.2 million during the Year was mainly contributed from the decrease in the PRC incentive rebates and the absence of interest of note receivables during the Year. For details, please refer to note 6 to the consolidated financial information of this announcement.

### ***Administrative expenses***

The Group’s administrative expenses increased significantly from approximately HK\$125.6 million to approximately HK\$151.9 million, representing an increase of approximately 20.9% during the Year. The increase was primarily due to the cease of government subsidies from the Employment Support Scheme under the Anti-epidemic Fund launched by the HKSAR government and concession on certain social insurance, retirement fund and housing fund granted by the governmental authorities of the PRC, and the increase in the discretionary bonus to the employee during the Year.

### ***Finance costs***

The finance costs comprised interest on lease liabilities and the bank borrowings for financing the Group’s operations. The decrease in finance costs of the Group was mainly due to a decrease of the average bank borrowings during the Year. For details, please refer to note 7 to the consolidated financial information of this announcement.

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

The Group's profit for the Year amounted to approximately HK\$1.6 million (Previous Year: HK\$34.6 million), representing a decrease of approximately HK\$33.0 million or approximately 95.4% mainly due to the absence of government subsidies and significant increase in the impairment loss on trade receivables and contract assets under ECL model.

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

The Company's basic earnings per share for the Year was approximately HK0.26 cents (Previous Year: HK2.94 cents), representing a decrease of approximately HK2.68 cents or 91.2%, 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 1,140,969,750 shares in issue during the Year, whilst basic earnings per share for the Previous Year was calculated based on the weighted average number of 1,140,073,825 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 information of this announcement.

### **Dividend**

Coinciding with the celebration of the 25th anniversary of the Group and for the purpose of distributing part of the cash surplus for the Year to Shareholders, the Board proposed a special dividend of HK5.00 cents per share for the Year (Previous Year: a final dividend of HK3.00 cents per share). Payment of this special dividend is subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM").

### **Outlook and Prospects**

Looking forward into 2022, the global business environment remains unpredictable, particularly as the new Omicron variant leading to new spikes in confirmed cases across different countries. Coupled with the dynamic real estate policies in the PRC and the potential ripple effect from the Evergrande debt crisis, the year ahead is still beyond prediction. Nonetheless, the growth in revenue of the Group during the Year has laid a solid ground, and the Group's strong orders on hand also provide optimistic prospects for the upcoming year. Being a well-established market player, the Group is well-positioned to increase its market share and raise its brand profile amid the market disruption brought by the COVID-19 pandemic.

To prepare for the unexpected, the Group will also stay vigilant and maintain a prudent financial position and lean operation. The Group will particularly pay attention to receivables collection, payment terms, as well as project sourcing, in order to maximise cash conversion efficiency and minimise the risk of credit loss. The Group will also keep a close eye on new business initiatives and other opportunities, in order to enhance business growth and deliver fruitful returns to its shareholders.

## 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 2021, 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 3.1% (Previous Year: approximately 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 4.3% (Previous Year: 5.3%). As at 31 December 2021, the Group had net cash (i.e. bank balances and cash (including pledged bank deposits) less total debt) of approximately HK\$227.2 million (Previous Year: approximately HK\$256.5 million). The reduction in net cash was mainly contributed by an investment in fund during the Year which is under redemption process as at year ended 31 December 2021. For details, please refer to the section headed “Significant Investments/Material Acquisition and Disposals”.

No bank borrowings as at 31 December 2021 were secured by pledged bank deposits and approximately HK\$20 million were unsecured and guaranteed by the Company. 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 bank borrowings were unsecured and guaranteed by the Company. For details, please refer to note 17 to the consolidated financial information of this announcement. Further costs for operations and expansion will be partially financed by the Group's unutilised bank facilities. As at 31 December 2021 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 approximately 3.6 (Previous Year: 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 for development opportunities with a view to balancing the risk and opportunity in maximising shareholders' value.

As at 31 December 2021, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.4 million and approximately HK\$466.9 million, respectively (Previous Year: HK\$11.4 million and HK\$487.8 million, respectively).

## **Pledge of Assets**

As at 31 December 2021, a bank deposit of HK\$558,000 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 borrowings in the PRC.

## **Contingent Liabilities and Capital Commitments**

The Group did not have any significant contingent liabilities as at 31 December 2021 and 31 December 2020. For capital commitments, please refer to note 20 to the consolidated financial information of this announcement.

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

The Group's bank borrowings as at 31 December 2021 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 rate 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 increased uncertainty on the settlement from clients, as some of the residential property developer clients of the Group appear to be in severe financial difficulties and there are evidence that indicate their trade receivables and contract assets might be credit impaired, such as default on their bonds, the allowance for credit loss on trade receivables and contract assets of the Group increased significantly during the Year. The Group's policy in respect of ECL allowance for the Year was recorded at an amount equivalent to the lifetime ECL 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 2021, the accumulated ECL allowance was HK\$84.2 million (31 December 2020: HK\$43.0 million), among which the accumulated ECL allowance for trade receivables was HK\$65.7 million (31 December 2020: HK\$35.4 million) and the accumulated ECL allowance for contract assets was HK\$18.5 million (31 December 2020: HK\$7.6 million). Although the overall settlement of trade receivables from clients were satisfactory, due to the uncertainties resulting from COVID-19 pandemic and severe financial difficulties faced by some of the residential property developer clients of the Group, the ECL 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 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 of the Group, 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, political risk, contract risk and credit risk of clients and the markets.

### **EVENTS AFTER THE REPORTING PERIOD**

There were no significant events subsequent to 31 December 2021 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 information of this announcement.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had approximately 562 (Previous Year: approximately 560) full-time employees. The total remuneration of the employees (including the Directors' remuneration) were approximately HK\$233.7 million for the Year (Previous Year: HK\$188.7 million). The increase in total remuneration of the employees was mainly due to the cease of COVID-19 related government subsidies from the Employment Support Scheme under the Anti-epidemic Fund launched by the HKSAR government and concession on certain social insurance, retirement fund and housing fund granted by the relevant PRC government authorities and the increase in the discretionary bonus during the Year.

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

During the Period, the Group subscribed for three investment funds, namely Cithara Global Multi-Strategy SPC — Cithara Series One Fund SP (“**Cithara**”), FUTEU Special Growth Fund SPC — FUTEU International Bond Fund (“**Futec**”) and Sino Opulence Multi-Value Strategy Fund SPC — Stable Growth Fund SP (“**Sino Opulence**”), 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 HK\$'000	Redemption during the Year HK\$'000	Unrealised/ realised gain (loss) for the Year HK\$'000	Exchange realignments HK\$'000	Fair value as at year end HK\$'000	Percentage to the total assets as at year end	Percentage of return as at year end
Cithara	30,000	—	300	—	30,300	4.7%	1.0%
Futec	19,384	19,648	182	82	—	—	0.9%
Sino Opulence	30,406	30,324	(173)	91	—	—	-0.6%
	<u>79,790</u>	<u>49,972</u>	<u>309</u>	<u>173</u>	<u>30,300</u>		

During the Year, Futec and Sino Opulence were fully redeemed and received before year end, while Cithara were fully redeemed and received in January 2022 at a redemption price of HK\$30,300,500. The performance on the Group's investment funds were with average return of 0.4% and ranging from -0.6% to 1.0%. The low investment return was mainly due to the fallout of the Evergrande debt crisis leading to the overall drop on the fixed income debts and security market, which these investment funds relied on. The Group has no further investment plan after the redemption of all three investment funds under the current volatile investment market. The Group's management, investment committee and the Board, will review investments opportunities and market risk from time to time, and monitor the financial position of the Group in order to balance the risk and investment opportunity in maximising shareholder's value.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in 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 31 December 2021.

## 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 announcements regarding the change in use of proceeds dated 6 June 2019 and 16 November 2021 (the “Further Change”) respectively. As at 31 December 2021, the Net Proceeds received were applied as follows:

	Original allocation of Net Proceeds	Reallocation of unutilised Net Proceeds on 6 June 2019	Utilised Net Proceeds up to 31 December 2020	Unutilised Net Proceeds up to 31 December 2020	Utilised Net Proceeds since 31 December 2020 up to 16 November 2021	Unutilised Net Proceeds up to 16 November 2021 (before the Further Change)	Reallocated of unutilised Net Proceeds on 16 November 2021	Revised allocation of unutilised Net Proceeds (after the Further Change)	Utilised Net Proceeds since the Further Change up to 31 December 2021	Unutilised Net Proceeds up to 31 December 2021
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Strengthening the Group's interior design services and developing specialisation	67.0	(28.1)	(37.6)	1.3	(1.3)	-	-	-	-	-
Further developing the Group's interior decorating & furnishing services	31.1	7.2	(37.0)	1.3	-	1.3	-	1.3	-	1.3
Pursuing growth through selective mergers and acquisitions	28.4	11.6	-	40.0	-	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	-	(8.5)	2.5	(1.4)	1.1	-	1.1	-	1.1
Further developing the Group's product design services	3.1	-	(3.1)	-	-	-	-	-	-	-
Working capital and other general corporate purposes	13.3	-	(13.3)	-	-	-	40.0	40.0	(14.7)	25.3
Developing a new brand (i.e. 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>(6.4)</b>	<b>42.4</b>	<b>-</b>	<b>42.4</b>	<b>(14.7)</b>	<b>27.7</b>

The unutilised Net Proceeds are expected to be fully utilised according to the intended allocations by the end of 2022.



## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **DIVIDEND**

The Board proposed a special dividend for the Year in the amount of HK5.00 cents per share, which amounts to approximately HK\$57.1 million in total, to be paid on 29 July 2022. The payment of such special 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 20 May 2022, the register of members of the Company will be closed from 17 May 2022 to 20 May 2022, 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 16 May 2022 (Monday).

For determining the entitlement to the proposed special dividend, the register of members of the Company will be closed from 27 May 2022 to 31 May 2022, 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 26 May 2022 (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 Corporate Governance Code under Appendix 14 to the Listing Rules for the Year and up to the date of this announcement.

## **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, BDO Limited, 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 BDO LIMITED**

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 2021 as set out in this preliminary announcement have been agreed by the Group’s auditor, BDO Limited, to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by BDO Limited on the 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 2021 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 staff, 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, 21 March 2022

*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. Ding Jingyong, and the independent non-executive Directors are Mr. Liu Yi, Mr. Sun Yansheng and Mr. Tsang Ho Ka Eugene.*