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ANNUAL REPORT 2021

DESIGN WITHOUT LIMITS

STEVE LEUNG DESIGN GROUP LIMITED

Stock Code : 2262

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

LIU Yi
SUN Yansheng
TSANG Ho Ka Eugene

AUDIT COMMITTEE

TSANG Ho Ka Eugene *(Chairman)*
LIU Yi
SUN Yansheng

REMUNERATION COMMITTEE

SUN Yansheng *(Chairman)*
XU Xingli
TSANG Ho Ka Eugene

NOMINATION COMMITTEE

XU Xingli *(Chairman)*
SUN Yansheng
TSANG Ho Ka Eugene

RISK MANAGEMENT COMMITTEE

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

INVESTMENT COMMITTEE

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

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CORPORATE INFORMATION (CONTINUED)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUTHORISED REPRESENTATIVES

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

INDEPENDENT EXTERNAL AUDITOR

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

INTERNAL AUDITOR

Mazars Risk Advisory Services Limited

LEGAL ADVISOR

Kenneth Chong Law Office

PRINCIPAL BANKERS

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

STOCK CODE

2262

COMPANY'S WEBSITE

www.sldgroup.com

INVESTOR RELATIONS CONTACT

ir@steveleung.com

CHAIRMAN AND FOUNDER’S STATEMENT

CHAIRMAN AND FOUNDER'S STATEMENT

XU XINGLI

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Steve Leung Design Group Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present you the annual report for the year ended 31 December 2021 (the "**Year**").

After encountering the rather unknown COVID-19 in 2020, the world learnt how to adapt to the pandemic in 2021, striving to establish a new normal despite the virus continued to evolve and mutate.

Yet, the new normal also brought significant challenges to the domestic real estate market which we rely heavily on. The intensifying regulatory measures over the last few years, the pressing "The Three Red Lines" policy, as well as the decreasing sales and financing capability of real estate developers, have all casted further doubts on the market. This was echoed by the fact that, in 2021, the financing amount of the Top 100 real estate enterprises in China hits a 5-year low, and their annual cumulative sales has recorded a year-on-year decrease for the first time since 2010. Many real estate enterprises were under intense cash flow and debt pressure.

Despite not being at the focal point of policies, the Group was nonetheless affected, as most real estate developers became increasingly cautious over project development and investment. This has in turn, led to a negative impact on the Group's revenue, new contract sum awarded and receivables collection. Some clients even went into financial default, resulting in a growing provision for expected credit loss, which further hampered the Group's financial performance. Looking ahead to the coming year, further aftershocks are also expected, with the new political and economic theme of "common prosperity", as well as the trial implementation of real estate taxes, further adding to the uncertainties.

CHAIRMAN AND FOUNDER'S STATEMENT (CONTINUED)

However, "laying down" is not part of our DNA, as we believe luck will only be on our side when we work for them. What we ought to do is to ride on the policies, actively grasp new growth drivers, and develop sustainably. We also believe that new paradigms come with new opportunities. After suffering from the extreme fluctuations in 2021, the domestic real estate market should eventually swing back to the equilibrium. In 2022, we should not only seek stability, but also progression. Under the guiding principle of "Houses are built to live in, not for speculation", the market will continue to undergo the corrective cycle and grow sustainably, and the key for real estate developers to beat competition is to raise product quality. The market adjustment, as well as the growing competition among developers, have all provided us with ample opportunities to capture.

2022 also marks the 25th anniversary of the Group. In this special year, the Company will look to build on its past achievements, explore and grasp further opportunities through vision and dedication, and continue its legacy in interior design to generate greater returns for its shareholders.

Lastly, on behalf of the Board, I would like to send our heartfelt gratitude to our shareholders, clients, business partners and our professional teams for their dedicated support. The Group is confident that, being the industry leader with established brand value and proven capability, we can stand firm in a volatile environment and move forward steadily.

XU Xingli
Chairman

21 March 2022

FOUNDER'S STATEMENT

STEVE LEUNG

Dear Shareholders and Colleagues,

In 2021, our everyday lives continued to be filled with face masks, social distancing measures and travel restrictions. During the process, it also seemed that we were losing the refreshing air, the excitement from travelling, or even, our time and moments spending together with our family and friends due to the group gathering restriction. Despite the perception that there is a growing gap between people, their connection actually becomes closer than ever.

The more we lose, the better we understand that things cannot be taken for granted. We appreciate people and things more, or even regain our enthusiasm for things around us. The same applies to our interior designers, that we were able to slow down, reflect, and regain our motivation and hunger in interior design, and used interior design as a medium to bring our vision, values, as well as our pursuit of quality to life.

This year, our design work not only received recognition in the domestic real estate market, but also went further to other markets such as Europe, as we provided interior design and branding services to the world-famous brand McDonalds'. Embracing our value of "Design Without Limits", the move has allowed us to share our vision with a larger group of friends and audiences.

Operating figures show all the difficulties in the Year, but it also highlights the effort, dedication, and capability behind, as we were able to maintain a satisfactory performance. Instead of focusing on the number of projects, we place a much stronger emphasis on their quality. During the Year, we went for the extra mile despite operating under the pandemic, completing numerous quality projects as a result. The interior decorating and furnishing business, now into its 5th year, is also growing and working seamlessly with our interior design services. Such combination allows us to create better design for projects that our clients value and our colleagues are proud of.

FOUNDER'S STATEMENT (CONTINUED)

2022 represents yet another brand-new start, the interior design market will definitely be more competitive. The rise of young designers, fresh ideas and new challenges would provide us food for thoughts in how to adapt and improve. As we enter our 25th anniversary, we will also work even harder to evolve and grow, use innovative design works to venture into the unknown, and solidify our market-leading position. Together, we can create a better future for the Group as well as the industry.

On behalf of the Group, I would like to sincerely thank all of our designers and employees for their dedication and commitment, as well as our customers, investors and business partners for their unequivocal support. We believe high-quality design can inspire people's hearts, narrow the gap between people, accompany us through prosperity and adversity, and create extraordinary values for our shareholders and the society.

Steve Leung
Founder

21 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

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 stagant, 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 under expected credit losses ("**ECL**") model 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 the Hong Kong Special Administrative Region ("**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.

The Board did not recommend the payment of final dividend for the Year (Previous Year: final dividend of HK3.00 cents per share). However, 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.

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).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 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	**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
Total	**338.8**	**108.9**	**7.3**	**455.0**	**100.0**	314.1	116.2	2.7	433.0	100.0

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 outbreak 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 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 *HK$ million*	**Gross profit** *HK$ million*	**Gross profit margin**	Revenue *HK$ million*	Gross profit *HK$ million*	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	**455.0**	**188.9**	**41.5%**	433.0	187.9	43.4%

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.

Remaining contract sum

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

	Interior Design Services *HK$ million*	Interior Decorating and Furnishing Services *HK$ million*	Total *HK$ million*
Remaining contract sum as at 1 January 2020	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	14.7	7.2	21.9
Remaining contract sum as at 31 December 2020	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	12.4	3.5	15.9
Remaining contract sum as at 31 December 2021	294.6	127.6	422.2

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 fair value through profit or loss, 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 report.

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 8 to the consolidated financial statements of this report.

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 employees 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 9 to the consolidated financial statements of this report.

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 aforesaid 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 lower than that of the Previous Year. Details of earnings per share are set out in note 15 to the consolidated financial statements of this report.

DIVIDEND

The Board did not recommend the payment of final dividend for the Year (Previous Year: a final dividend of HK3.00 cents per share). However, 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. Payment of this special dividend is subject to the approval of the Shareholders 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: 3.7%). The gearing ratio (net debt excluding lease liabilities arising from the adoption of HKFRS 16 to equity attributable to Owners of the Company) was approximately 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: 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 HK$20.0 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 28 to the consolidated financial statements of this report. 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 report 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 31 December 2021 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. For details, please refer to note 26 to the consolidated financial statements of this report.

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 33 to the consolidated financial statements of this report.

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 approximately HK$84.2 million (Previous Year: HK$43.0 million), among which the accumulated ECL allowance for trade receivables was HK$65.7 million (Previous Year: HK$35.4 million) and the accumulated ECL allowance for contract assets was HK$18.5 million (Previous Year: 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 report.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 31 to the consolidated financial statements of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had approximately 562 (Previous Year: 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 Year, the Group subscribed for three investment funds, namely Cithara Global Multi-Strategy SPC — Cithara Series One Fund SP ("**Cithara**"), FUTEU Special Growth Fund SPC — FUTEC 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	**Redemption during the Year**	**Unrealised/ realised gain (loss) for the Year**	**Exchange realignments**	**Fair value as at 31 December 2021**	**Percentage to the total assets as at 31 December 2021**	**Percentage of return as at 31 December 2021**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*		
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%
	79,790	49,972	309	173	30,300		

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 of Hong Kong Limited (the "**Stock Exchange**") since 5 July 2018. The net proceeds from the Global Offering amounted to HK$195.0 million (after deducting underwriting fees and commissions and all related expenses) (the "**Net Proceeds**"). The Net Proceeds are intended to be applied in accordance with the proposed application as disclosed in the Prospectus and the 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 and reallocated 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)	Reallocation 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)	–	–	–	–	–
Total	195.0	–	(146.2)	48.8	(6.4)	42.4	–	42.4	(14.7)	27.7

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

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Siu Man Hei (蕭文熙先生), aged 66, is an executive Director and the chief executive officer of the Company (the "**Chief Executive Officer**"). He is also a member of the risk management committee of the Board (the "**Risk Management Committee**") and investment committee of the Board (the "**Investment Committee**"), respectively. Mr. Siu joined the Group in February 2007 and is mainly responsible for the business development, operation and management. He also holds other directorships in the Group's subsidiaries.

Mr. Siu has over 30 years of experience in the architecture and interior design and decorating services and building industries. In July 1991, he established IE, SIU & CHUNG ARCHITECTS LIMITED, a private company in Hong Kong with limited liability which was principally engaged in architecture and design services with other partners. From July 1999 to February 2006, he was the assistant general manager of property division of Emperor Investment (Management) Limited, an investment management company, and was principally responsible for the overall management of the development projects.

Mr. Siu graduated from the University of Hong Kong with a Bachelor of Arts degree in architectural studies in 1978 and a Bachelor of Architecture degree in 1980. He became a member of the Hong Kong Institute of Architects and a member of the Royal Institute of British Architects both in 1983, and an Authorised Person (List of Architects) registered with the Building Authority in 2010. He also became a registered architect of the Architects Registration Board in Hong Kong under the Architects Registration Ordinance (Chapter 408 of the Laws of Hong Kong) in 1991.

Mr. Yip Kwok Hung Kevin (葉玨鴻先生), aged 43, is an executive Director, the chief financial officer of the Company (the "**Chief Financial Officer**") and a member of the Risk Management Committee and the Investment Committee. He is also one of the joint company secretaries of the Company (the "**Joint Company Secretary**"). Mr. Yip joined the Group in January 2014 and is mainly responsible for overseeing the financing, accounting and internal control, human resource and administrative management. He is currently a director of Eagle Vision Development Limited, a controlling shareholder of the Company as well as each of the Group's subsidiaries.

Prior to joining the Group, Mr. Yip joined Deloitte Touche Tohmatsu as a staff accountant in December 2002 and last served as a senior accountant of the audit department until June 2009, and was responsible for audit matters. From June 2009 to December 2013, he last served as an assistant financial controller of Rykadan Management Services Limited, a subsidiary of Rykadan Capital Limited (a company listed on the Main Board of the Stock Exchange (stock code: 2288) which operates and invests in real estate development, real estate investment and distribution of building materials), and was responsible for financial management and operational affairs.

Mr. Yip obtained a Bachelor of Science degree from the University of Hong Kong in 2000 and a Master of Commerce degree in fund management from the University of New South Wales, Australia in 2003.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Ding Chunya (丁春亞先生), aged 39, is an executive Director. He is mainly responsible for overseeing the operation of Beijing Gangyuan Institute of Architectural Decoration Design and Research Co., Ltd. ("**Gangyuan Design**") and the business in the PRC. Mr. Ding joined Gangyuan Design in September 2010, which became a subsidiary of the Company since September 2016. From April 2013 to December 2014, he was appointed as the general manager of the Xiamen branch of Gangyuan Architectural Decoration Engineering Co., Ltd ("**Gangyuan Decoration**"), the then sole shareholder of Gangyuan Design and a company principally engaged in the business of decoration engineering, and was responsible for the marketing, manufacture and operation of such branch. Mr. Ding is also the principal of Gangyuan Design.

Mr. Ding graduated from the North China University of Technology (北方工業大學), the PRC, with a Bachelor in Engineering in 2005. He was accredited as a senior interior architect (高級室內設計師) by the China Building Decoration Association (中國建築裝飾協會) in 2009. He became a deputy officer of the design committee of the China Building Decoration Association (中國建築裝飾協會) in 2015.

Ms. Kau Wai Fun (裘慧芬女士), aged 61, is an executive Director and the director of administration of the Group. Ms. Kau joined the Group as Administrative Manager of Steve Leung Architects Limited, a wholly-owned subsidiary of the Company in November 2005. She is mainly responsible for the management of administration and human resources.

Prior to joining the Group, Ms. Kau served as a finance and administration manager from August 1997 to February 2005 at PERCY THOMAS PARTNERSHIP (HK) LIMITED, a company incorporated in Hong Kong with limited liability which was principally engaged in architecture planning and design, where she was mainly responsible for office administration, finance and human resources management.

Ms. Kau obtained a diploma in human resource management from the University of Hong Kong School of Professional and Continuing Education, Hong Kong in 1998 and a Master of Science degree in training and human resource management from the University of Leicester, United Kingdom in 2004 through long distance learning. She became an ordinary member and subsequently a professional member of the Hong Kong Institute of Human Resource Management in 2008 and 2010 respectively.

NON-EXECUTIVE DIRECTORS

Mr. Xu Xingli (許興利先生), aged 51, is a non-executive Director and the chairman of the Board (the "**Chairman**"). Mr. Xu joined the Group in February 2014 and is mainly responsible for the overall strategy, investment planning and human resource strategy of the Group and serving as a member of the remuneration committee of the Board (the "**Remuneration Committee**"), the chairman of the nomination committee of the Board (the "**Nomination Committee**") and the chairman of the Investment Committee. He is a director of each of the Company's subsidiaries (other than SLD Group Holdings Limited and Gangyuan Design). He joined Jangho Group Co., Ltd. (江河創建集團股份有限公司) ("**Jangho Co.**") in December 2006, one of the Company's controlling shareholders and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601886). He is currently the chief executive officer and the general manager of Jangho Co., responsible for the overall strategy, investment planning, management and operations.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Prior to joining the Group, Mr. Xu served as the head of the finance department and the deputy officer of Inspur Group Limited (浪潮集團有限公司) from July 1994 to June 2001, primarily responsible for the financial matters of the branch office and the group companies of Inspur Group Limited. From March 2005 to December 2006, Mr. Xu served as the chief financial officer of Shandong Inspur Qilu Software Industry Company Limited (山東浪潮齊魯軟件產業股份有限公司), the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600756), and was principally responsible for the financial management. Shandong Inspur Qilu Software Industry Company Limited (山東浪潮齊魯軟件產業股份有限公司) is principally engaged in the tobacco and electronic governance business.

Mr. Xu graduated from the Shanghai University of Finance and Economics (上海財經大學), the PRC, with a Bachelor in Accounting in 1994. He became a non-practising member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in 2009 and a senior accountant approved by the Beijing Senior Specialized Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in May 2013.

Mr. Ding Jingyong (丁敬勇), aged 36, is a non-executive Director since 23 June 2021 and a member of the Investment Committee.

Mr. Ding is a vice president of Jangho Co. since 18 August 2011. He is also the chairman and president of Sundart Engineering & Contracting (Beijing) Limited* (北京承達創 建裝飾工程有限公司) ("**Beijing Sundart**"), an indirect subsidiary of Jangho Co. Mr. Ding has more than 13 years of experience in the marketing sector. From June 2008 to February 2013, Mr. Ding was a marketing manager in the Singapore branch office of Jangho Co. Mr. Ding joined Beijing Sundart as a senior marketing manager in February 2013 and subsequently served at various positions with Beijing Sundart. He was promoted to vice president in March 2015. From July 2016 to January 2018, he held the positions of vice president and general manager of the marketing centre. In January 2018, he was promoted to president. Since February 2019, Mr. Ding has been the chairman and president of Beijing Sundart.

Mr. Ding obtained a bachelor degree in civil engineering from Hubei University of Technology (湖北工業大學) in June 2008 and a master of business administration degree from Fudan University (復旦大學) in June 2020.

Mr. Huang Jianhong (黃劍虹先生), aged 46, was a non-executive Director and a member of the Investment Committee but had resigned on 23 June 2021.

Mr. Huang has over 22 years of experience in the PRC capital market. Mr. Huang currently serves as assistant director of Dongxing Securities (Hong Kong) Financial Holdings Limited, member firm of China Orient Asset Management Co., Ltd.. Since August 1994, Mr. Huang worked as a clerk in Minfa Securities Co., Ltd. (閩發證券有限責任公司) and left in 2006. He subsequently worked in New Times Securities Co., Ltd., Orient Securities Co., Ltd. and Northeast Securities Co. Ltd respectively in 2006, 2007 and 2008. In January 2010, Mr. Huang joined Dongxing Securities Co., Ltd. as a senior regional manager of Fuzhou Jiangyan Road Sales Department (福州江厝路營業部). He subsequently worked as the regional representative of asset management department (資產管理部) from April 2010 to May 2013, deputy general manager and general manager of Fuzhou Wuyi Middle Road Sales Department (福州五一中路營業部) of Dongxing Securities Co., Ltd. from May 2013 to November 2017.

Mr. Huang graduated from the distant-learning college of the faculty of finance (網絡學院金融學專業網絡教育) of Hunan University, the PRC in July 2005, majoring in finance.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Yi (劉珝先生), aged 73, is an independent non-executive Director since 11 June 2018. Mr. Liu is also a member of the audit committee of the Board (the "**Audit Committee**") and responsible for advising on corporate governance of the Group.

From June 1992 to May 1995, Mr. Liu was an associate chief secretary of the interior decoration industry's management office of the Department of Light Industry of the PRC (中國輕工業部). From June 1995 to August 2018, he had served as secretary general of the second council, vice president and secretary general of the third council, executive vice president of the fourth council and president of the fifth council of the China Interior Decoration Association (中國室內裝飾協會), which is principally engaged in the management of the interior decoration industry. Mr. Liu is the honorary president and chairman of the industry development strategy committee of the China Interior Decoration Association currently.

Mr. Liu obtained a Bachelor degree in Commercial Economics from the Renmin University of China (中國人民大學), the PRC in 1983. He became an economist of the ministry of light industry of the PRC in 1988 and a grade A project manager in the State Light Industry Bureau (國家輕工業局) in 2000.

Mr. Sun Yansheng (孫延生先生), aged 58, is an independent non-executive Director since 11 June 2018. Mr. Sun also serves as the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee. He is responsible for advising on corporate governance of the Group.

Mr. Sun qualified as a PRC Lawyer in June 1994 and founded Beijing Tian Yin Law Firm (北京市天銀律師事務所) in December 2002. From February 2013 to April 2016, he was a member of the planning committee of the China Securities Regulatory Commission, which was principally engaged in the carrying out of forward-looking research on and to propose solutions to capital market-related laws and policies, where he was mainly responsible for advising on regulatory reform as well as carrying out research on capital market supervision, registration reform and information disclosure. Since April 2016, he has been the founding partner of Beijing Duncheng Investment Management Consultation Centre (Limited Partnership) (北京敦誠投資管理諮詢中心(有限合夥)), which is principally engaged in the provision of investment advice on industries and government guidance and the management of industry funds, where he is mainly responsible for participating in the formation of industry funds, guiding the formation of local government industrial funds and serving as a listed company and government financing and strategic adviser. From 30 July 2021, Mr. Sun also serves as an independent non-executive director of China Shengmu Organic Milk Limited (中國聖牧有機奶業有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1432).

Mr. Sun obtained a Bachelor of Law degree from the Inner Mongolia University (內蒙古大學), the PRC in 1986 and a Master of Law degree from the Renmin University of China (中國人民大學), the PRC in 2003. He also received a certificate of completion for a postgraduate course in political economics from the Harbin Institute of Technology (哈爾濱工業大學), the PRC in 1999.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Tsang Ho Ka Eugene (曾浩嘉先生), aged 40, is an independent non-executive Director since 11 June 2018. Mr. Tsang also serves as chairman of each of the Audit Committee and Risk Management Committee and a member of the Remuneration Committee, Nomination Committee and Investment Committee. He is responsible for advising on corporate governance of the Group.

Mr. Tsang has been a founder of Gattaca Company Limited (a company principally engaged in the business of corporate restructuring, financial reengineering, business advisory and consulting) since May 2011, a consultant of GenNex Financial Media Limited (a company principally engaged in the business of the provision of financial printing services for the financial sector in Hong Kong) since January 2012, and the managing director of New Horizon Capital (Group) Limited (a company principally engaged in the business of which include private equity in Hong Kong, the PRC and overseas and the money lending business in Hong Kong) since March 2015. Mr. Tsang was an independent non-executive director of Winto Group (Holdings) Limited, a company listed on the GEM of the Stock Exchange (stock code: 8238) and was principally engaged in the business of outdoor advertising and print media from January 2015 to 2 March 2018. Mr. Tsang was appointed as an Honorary Financial Advisor of the Smart Education Charitable Foundation Limited (the "Foundation") in June 2017, a leading provider of high quality and innovative e-learning solutions which organises and sponsors various charitable events and programmes to the students in Hong Kong, Macau and the PRC. The Foundation is a charitable institution and is exempt from tax under section 88 of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong).

In December 2002, Mr. Tsang joined Deloitte Touche Tohmatsu as a staff accountant and last served as a semi-senior accountant of the audit department until February 2006. From September 2006 to March 2007, he was the company secretary and a qualified accountant of Maxitech International Holdings Limited, which was previously listed on the GEM of the Stock Exchange (stock code: 8136) and is currently known as Winfull Group Holdings Limited which is listed on the Main Board of the Stock Exchange (stock code: 183). From April 2007 to February 2015, his last position was non-executive director of MP Logistics International Holdings Limited, currently known as Capital Finance Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8239). From April 2012 to February 2015, his last position was joint company secretary of Newtree Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1323, currently known as Huasheng International Holding Limited). From May 2013 to July 2014, his last position was non-executive director of China Neng Xiao Technology (Group) Limited, currently known as China Ocean Group Development Limited, a company listed on the GEM of the Stock Exchange (stock code: 8047). From July 2014 to October 2015, he was an independent non-executive director of Mitsumaru East Kit (Holdings) Limited, currently known as Jiu Rong Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2358).

Mr. Tsang completed an accounting extension course in Australian Taxation Law and an accounting extension course in Australian Corporations Law in the Centre for Continuing Education of the University of Sydney, Australia in 2002 and subsequently obtained a Bachelor of Commerce degree in accounting and finance from the University of New South Wales, Australia in 2003. Mr. Tsang became a certified practicing accountant and a fellow of CPA Australia in 2006 and 2018 and a member and a fellow of the Hong Kong Institute of Certified Public Accountants in 2006 and 2014, respectively. He also became an associate and a fellow member of the Institute of Certified Management Accountants, Australia in 2007 and 2020, respectively, a member and a fellow of the Hong Kong Institute of Directors in 2008 and 2018, respectively, an associate, a fellow and a chartered tax adviser of the Taxation Institute of Hong Kong in 2008, July 2014 and January 2021 respectively, and an international associate of the American Institute of Certified Public Accountants in 2013.

SENIOR MANAGEMENT

Mr. Leung Chi Tien Steve (梁志天先生), aged 64, is the founder of the Group. He also holds other directorships in the Group's subsidiaries. Mr. Leung is mainly responsible for the brand building, market development and strategic planning of the Group, as well as creative design of the Group's key projects. Mr. Leung does not hold any directorship or senior management position in the Company.

Mr. Leung is a leading architect, interior and product designer in Hong Kong with over 31 years of experience in the architect, interior design and decorating services industries. Prior to establishing the Group in 1997, Mr. Leung served as an architect of the design department of Wong & Ouyang & Associates from September 1981 to October 1983, and was responsible for office/commercial and residential projects. He worked as a building surveyor of the Building Development Department of Hong Kong from November 1983 to April 1986 and the Buildings and Lands Department of Hong Kong from April 1986 to June 1986. Mr. Leung was a director of ARCHITECTS AND DESIGNERS CO. LIMITED (later known as C D U ARCHITECTS, PLANNERS LIMITED) which was incorporated in April 1987 in Hong Kong (which was struck off and dissolved on 21 January 1994 due to cessation of business), an architectural and urban planning consultancy, from September 1987 to October 1990, responsible for architecture and interior design advisory. He also established LKI DEVELOPMENT LIMITED (later known as LEUNG & CHOW ARCHITECTS PLANNERS LIMITED) in Hong Kong (which was deregistered on 2 December 2005 due to cessation of business) which was incorporated in February 1990, an architectural and urban planning consultancy, where he was a director, responsible for architecture and interior design advisory.

Mr. Leung obtained a Bachelor of Arts degree in architectural studies, a Bachelor of Architecture degree and a Master of Science degree in urban planning from the University of Hong Kong in 1978, 1981 and 1986 respectively. He became a member of the Hong Kong Institute of Architects and a corporate member of the Royal Institute of British Architects in 1983, an associate of the Royal Australian Institute of Architects in 1984, an Authorised Person (List of Architects) registered with the Building Authority in 1994, and a member of the Hong Kong Institute of Planners in 1992. Mr. Leung is a registered architect of the Architects Registration Board in Hong Kong. He is also a fellow member of the Hong Kong Interior Design Association and a member of the Hong Kong Designers Association. In December 2013, Mr. Leung was appointed as an executive officer of the design professional committee of China National Interior Decoration Association (中國室內裝飾協會設計專業委員會). Mr. Leung was appointed as the Deputy Director of Development Committee at China National Interior Decoration Association since September 2018. In March 2016, he was informed by the International Federation of Interior Architects/Designers (the "**IFI**") that he was elected as the President-elect on the IFI Executive Board from 2015 to 2017 and President from 2017 to 2020 of the IFI. In December 2016, he was appointed as the chairman of the board of C Foundation.

Mr. Leung also assumes several social positions including the adjunct professor of The University of Hong Kong School of Professional and Continuing Education and a member of the board of directors of Hong Kong Design Centre. Mr. Leung was also recognised as an honorary fellow of Vocational Training Council in December 2016. In March 2018, December 2018 and October 2019, he was appointed as the chairman of Hong Kong Trade Development Council ("**HKTDC**") Design, Marketing and Licensing Service Advisory Committee, a member of HKSAR Trade and Industry Advisory Board and a member of HKTDC Service Promotion Programme Committee, respectively.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Ms. Choi Mei Bik (蔡美碧女士), aged 40, is the Joint Company Secretary. Ms. Choi is currently practising as a certified public accountant and the sole proprietor of Choi Mei Bik Certified Public Accountant (Practising). She has also served as the company secretary of Aeso Holding Limited (a company listed on the GEM of the Stock Exchange (stock code: 8341)), which is principally engaged in the provision of fitting-out and renovation (including alteration and addition) contracting services of Hong Kong premises, since May 2019.

Ms. Choi has over 18 years of experience in corporate governance, corporate finance, auditing and financial reporting and possesses company secretarial experience. She jointed Deloitte Touche Tohmatsu as a staff accountant in September 2003 and last served as a senior consultant of enterprise risk service department until July 2011. From July 2011 to October 2011, she served as an assistant manager of Mazars CPA Limited. From October 2011 to January 2015, she joined Crown Horwath (HK) Corporate Consultancy Limited as a deputy manager and last served as senior manager of internal control review department. From February 2015 to May 2016, Ms. Choi served as the financial controller of Uni-China Management Limited. From June 2016 to June 2019, she last served as an audit manager of Union Alpha C.P.A Limited.

Ms. Choi graduated from the City University of Hong Kong with a Bachelor of Business Administration (Honour) in Accountancy since 2003 and is a member of the Hong Kong Institute of Certified Public Accountants since 2008.

Ms. Ko Wan Ting (高韻婷女士), aged 38, is the financial controller of the Group. Ms. Ko joined the Group in July 2020. She is mainly responsible for assisting the Chief Financial Officer in processing and reviewing financial affairs of the Group.

Ms. Ko has over 14 years of experience in auditing, accounting and financial sector. Prior to joining the Group, she worked in Deloitte Touche Tohmatsu from 2006 to 2013 with her last position as an audit manager. From 2014 to 2016, Ms. Ko worked in Larry Jewelry International Company Limited (a company listed on the GEM Board of the Stock Exchange (stock code: 8351) and served as the financial controller and company secretary. From 2018 to 2020, she served as the financial controller of Artini Holdings Limited (a company listed on the Main Board of the Stock Exchange (stock code: 789).

Ms. Ko holds a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University and is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICE

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 procedures, policies and guidelines.

The Company's corporate governance practices are based on the principles and the code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has, based on the principles and the code provisions as set out in the CG Code, as well as the standards and experience of the Company, adopted its own Corporate Governance Manual (the "**CG Manual**") in January 2017 as reference for the Board and the management of the Group to meet the code provisions as set out in the CG Code. The CG Manual is posted on the Company's website (www.sldgroup.com) and copies are available on request to the company secretaries of the Company.

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 CG Code during the Year and up to the date of this report, except for the following deviation:

Code provision C.5.1 of the CG Code specifies that regular Board meetings should be held at least four times a year at approximately quarterly internals. In view of the Group's business nature and that no quarterly results is published, the Company only held two regular Board meetings during the Year. Other specific matters were dealt with by the Board through ad hoc Board meetings or written resolutions.

The Company regularly reviews its corporate governance practices to ensure on-going compliance with the requirements of the CG Code, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**").

BOARD OF DIRECTORS

Responsibilities and Role of the Board

The Board is responsible for leadership and control of the Group and overseeing the Group's businesses, strategic decisions and performance. In addition, the Board has established Board committees and has delegated to these Board committees various responsibilities as set out in their respective terms of reference.

All Directors have carried out their duties in good faith, in compliance with applicable laws and regulations and in the interests of the Company and its Shareholders at all times.

Delegation by the Board

The Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in the Group's business.

The Board delegates day-to-day operations of the Group to executive Directors and management of the Group with department heads responsible for different aspects of the business/functions, while reserving certain key matters in making strategic decision for its approval. When the Board delegates aspects of its management and administration functions to management, it gives clear directions as to the powers of management, in particular, with respect to the circumstances where management needs to report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

The Board reserves for its decisions on all major matters of the Group, including: the formulation and monitoring of all policies and directions, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretaries of the Company, with a view to ensuring that the Board procedures and all applicable rules and regulations are followed. Each Director is normally able to seek independent professional advice in appropriate circumstances as the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Group are delegated to the chief executives and the senior management. The delegated functions and work tasks are reviewed periodically. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

Composition of the Board

As at 31 December 2021, the Board consisted of nine Directors comprising four executive Directors, two non-executive Directors and three independent non-executive Directors. The composition of the Board and its changes during the Year and up to date of this report are as follows:

Executive Directors

Mr. Siu Man Hei
(Chief Executive Officer) (member of the Risk Management Committee and Investment Committee)
Mr. Yip Kwok Hung Kevin
(Chief Financial Officer, Joint Company Secretary, member of the Risk Management Committee and Investment Committee)
Mr. Ding Chunya
Ms. Kau Wai Fun

Non-Executive Directors

Mr. Xu Xingli
(Chairman of the Board, the Nomination Committee and Investment Committee, member of the Remuneration Committee)
Mr. Ding Jingyong
(Appointed on 23 June 2021) (member of the Investment Committee)
Mr. Huang Jianhong
(Resigned on 23 June 2021) (member of the Investment Committee)

Independent Non-Executive Directors

Mr. Liu Yi
(Member of the Audit Committee)

Mr. Sun Yansheng
(Chairman of the Remuneration Committee, member of the Audit Committee and Nomination Committee)

Mr. Tsang Ho Ka Eugene
(Chairman of the Audit Committee and Risk Management Committee, member of the Remuneration Committee, Nomination Committee and Investment Committee)

A brief description of the background of each Director is presented on page 25 to 31 of this annual report under the heading of "Profiles of Directors and Senior Management".

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company from time to time pursuant to the Listing Rules. The non-executive Directors and the independent non-executive Directors are expressly identified in all corporate communications pursuant to the Listing Rules.

To the best knowledge of the Directors, there are no financial, business, family or other material or relevant relationships among the members of the Board during the Year. None of the members of the Board is related to one another.

Independent Non-Executive Directors

During the Year, the Board, at all times, have three independent non-executive Directors, which complies with Rules 3.10(1) and 3.10(A) of the Listing Rules. At least one independent non-executive Director, Mr. Tsang Ho Ka Eugene, out of the three independent non-executive Directors possesses appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. The Board has maintained, throughout the Year, the proportion of the independent non-executive Directors to at least one-third of the Board.

The Company has received written annual confirmation from each independent non-executive Director of his independence in accordance with the independence guidelines as set out in Rule 3.13 of the Listing Rules. The Company considers each of Mr. Liu Yi, Mr. Sun Yansheng and Mr. Tsang Ho Ka Eugene to be independent.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

Chairman and Chief Executive Officer

According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing.

Throughout the Year, Mr. Xu Xingli is the Chairman and Mr. Siu Man Hei is the Chief Executive Officer. There is a clear and effective division of accountability and responsibility between the Chairman and the Chief Executive Officer and each plays a distinctive role but complementing each other to ensure that there is a balance of power and authority and no individual has unfettered powers of decision and control. Therefore, code provision C.2.1 of the CG Code has been complied with during the Year.

Appointment and Re-Election of Directors

The procedures and process of appointment, re-election and removal of Directors are laid down in the Company's articles of association.

The process of evaluating the skills and composition of the Board is ongoing and is kept under regular review in order to ensure that appropriate plans for succession to the Board are in place for smooth Board refreshment, and that the Board retains its effectiveness at all times. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating procedures for nomination and appointment of Directors.

Each of the Directors is engaged on a service agreement (for executive Directors) or letter of appointment (for non-executive Directors and independent non-executive Directors) for a term of three years. The appointment may be terminated by giving three months' written notice in accordance with the terms of the service agreement or letter of appointment. Any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the next AGM, as the case may be, of the Company after his appointment and be subject to re-election at such meeting.

Pursuant to the Company's articles of association, all Directors are subject to retirement by rotation at AGM at least once every three years. At each AGM one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number of nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Board Diversity Policy

Measurable Objectives and Monitoring

The Company has adopted a board diversity policy as set out in the CG Manual with a view to achieving a sustainable and balanced development. The Board should have a balance of skills, experience and diversity of perspective appropriate to the requirements of the business of the Group in designing its composition. Diversity of the Board has been considered from a number of aspects, including but not limited to gender, age, cultural and education background, professional experience, skills and knowledge. All Board appointments will be based on merit and considered against objective criteria and contribution that the selected candidates will bring to the Board.

The Nomination Committee has reviewed the policy concerning diversity of Board members, as appropriate, the measurable objectives that the Board has set for implementing such policy and the progress on achieving the objectives and disclosed the review results in the corporate governance report annually in accordance with the Listing Rules.

Diversity of the Board

The existing members of the Board are well experienced in the interior design and interior decorating and furnishing and alteration and addition industry, investment and finance businesses. Some of them are professionals in project management, asset management, finance and accounting with extensive experience.

During the Year, there is one female Director in the Board. The Board will maintain at least the current level of female representation, which complies with the amendments to the CG Code. In considering the Board's succession, the Board will continue to take opportunities to increase the proportion of female members over time as and when suitable candidates are identified.

In view of the present size and complexities of the Group's operations and the nature of the risks and challenges it faces, the Nomination Committee considers the Company has struck a right balance of skills, experience, knowledge, gender and diversity among the present members of the Board.

Induction and Continuing Development of Directors

Each newly appointed Director receives formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Group and full awareness of Directors' responsibilities and obligations under the Listing Rules, common law and relevant statutory requirements.

The Company also continuously updates the Directors on the latest developments regarding the Listing Rules and applicable regulatory, as well as business and market changes, to ensure compliance, enhance their awareness of good corporate governance practices and facilitate the discharge of their responsibilities.

All Directors are encouraged to and had confirmed that they had complied with code provision C.1.4 of the CG Code during the Year, that all Directors had participated in continuous professional development to develop and refresh their knowledge and skills.

During the Year, the record of the trainings of the Directors, on a named basis, is set out in the table below.

Name of Directors	Reading journals, written training materials and/or updates	Attending courses, seminars, conferences and/or forums	Receiving briefings from Chief Financial Officer, Joint company Secretaries and/or other executives
Executive Directors			
Siu Man Hei	✓	✓	✓
Yip Kwok Hung Kevin	✓	✓	✓
Ding Chunya	✓	✓	✓
Kau Wai Fun	✓	✓	✓
Non-executive Directors			
Xu Xingli	✓	✓	✓
Ding Jingyong (appointed on 23 June 2021)	✓	✓	✓
Huang Jianhong (resigned on 23 June 2021)	✓	✓	✓
Independent Non-executive Directors			
Liu Yi	✓	✓	✓
Sun Yansheng	✓	✓	✓
Tsang Ho Ka Eugene	✓	✓	✓

Note: All of the abovementioned trainings are relevant to the Group's business, the economy, corporate governance, rules and regulations, accounting, financial or professional skills and/or directors' duties and responsibilities.

Directors' and Officers' Liability Insurance and Indemnity

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors and officers of the Company that may arise out of its corporate activities. The insurance coverage is reviewed on an annual basis and no claim was made against the Directors and officers of the Company during the Year and up to this annual report date.

BOARD COMMITTEES

Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. Notices of regular Board meetings are served to all Directors at least 14 clear business days before the meetings. For other Board and Board committees meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least three business days before each Board and Board committee meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

Draft and final versions of minutes are normally circulated to Directors or the committee members for comment and record respectively within a reasonable time after each meeting. Minutes of Board meetings and committee meetings are kept by the company secretaries of the Company or the duly appointed secretaries of the respective meetings (as the case may be) and are available for inspection by all Directors at all reasonable time.

According to the current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Committees

The Board has established five committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee, the Risk Management Committee and the Investment Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference which explain their roles and the authority delegated to them by the Board and are in line with the CG Code. These terms of reference are posted on the Company's website and are available to Shareholders upon request. Board committees are provided with sufficient resources to discharge their duties and are required to report to the Board on their decisions or recommendations.

Audit Committee

The Audit Committee comprises three members, namely, Mr. Tsang Ho Ka Eugene (chairman of the Audit Committee), Mr. Liu Yi, and Mr. Sun Yansheng, all of them are independent non-executive Directors with the chairman of which possesses the appropriate professional qualifications and accounting expertise. None of the committee members is a former partner of the Company's external auditors.

Principal duties of the Audit Committee are to monitor integrity of the Group's financial statements and accounts, to review significant financial reporting judgments contained in them, and to review the Group's financial control, internal control and risk management systems. The Audit Committee annually assesses the appointment of the external auditor and review the interim and final results of the Group prior to recommending them to the Board for approval.

The Audit Committee is also responsible for the following duties: (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of Directors and senior management of the Company; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees of the Company; and (e) to review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report.

There were four Audit Committee meetings held during the Year. The Audit Committee has performed the following work during the Year and up to the date of this report:

– discussed the financial reporting and compliance procedures with the external auditor;

– reviewed the audit plan and scope of audit for the Previous Year and the Year;

– reviewed the audited annual results for the Previous Year and the Year, and the unaudited interim results for the six months period ended 30 June 2021;

– reviewed the Group's risk management, internal control systems, financial reporting systems, and financial and accounting policies and practices;

– reviewed the effectiveness of the internal audit function of the Company;

– reviewed findings in the internal control and risk management report;

– reviewed risk management strategies towards outbreak of COVID-19;

– reviewed the continuing connected transactions of the Group;

– reviewed the use of proceeds and change in use of proceeds from Global Offering;

– reviewed matters relating to investments of the Group; and

– considered the resignation and appointment of external auditor and made recommendations to the Board.

Remuneration Committee

The Remuneration Committee comprises three members, the majority of them are independent non-executive Directors. The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Sun Yansheng (chairman of the Remuneration Committee) and Mr. Tsang Ho Ka Eugene and a non-executive Director, Mr. Xu Xingli.

Principal duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing such policy. The Remuneration Committee is also responsible for reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time.

There was one Remuneration Committee meeting held during the Year. The Remuneration Committee has performed the following work during the Year and up to the date of this report:

– reviewed the performance and remuneration policy of the Directors and senior management of the Company;

– assessed the performance of executive Directors;

– approved the terms of executive Directors' service contract; and

– approved the proposed remuneration of executive Directors and senior management of the Company.

Details of remuneration of Directors are set out in note 12 to the consolidated financial statements. Details of remuneration of key management personnel of the Company is set out in note 35 to the consolidated financial statements.

Nomination Committee

The Nomination Committee comprises three members, the majority of them are independent non-executive Directors. The Nomination Committee comprises two independent non-executive Directors, namely Mr. Sun Yansheng and Mr. Tsang Ho Ka Eugene and a non-executive Director, Mr. Xu Xingli (chairman of the Nomination Committee).

Principal duties of the Nomination Committee are to review the structure, size and composition (including skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to review the policy concerning the diversity of member of the Board, as appropriate, the measurable objectives that the Board has set for implementing such policy and the progress on achieving the objectives, and to determine the policy for the nomination of Directors in compliance with the requirements of the Listing Rules, the nomination procedures and the process and criteria to select and recommend candidates of the directorship of the Board.

The Nomination Committee is also responsible for identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, with due regard for the benefits of diversity on the Board, assessing the independence of independent non-executive Directors, and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairman and the chief executive, taking into account the mix of skills, knowledge, experience and diversity need in the future.

There was one Nomination Committee meeting held during the Year. The Nomination Committee has performed the following work during the Year and up to this report date:

– reviewed the structure and composition of the Board and policy concerning the diversity of member of the Board;

– recommended to the Board on the appointment and resignation of non-executive Directors;

– assessed the independence of the independent non-executive Directors;

– reviewed the policy concerning nomination of Directors;

– reviewed the policy concerning selection and recommendation of senior management of the Company; and

– determined the rotation of the Directors at the AGM.

Risk Management Committee

The Risk Management Committee comprises three members, one of them is an independent non-executive Director and all of them have the requisite experience and expertise to enhance the Group's existing internal risk management functions. The Risk Management Committee comprises one independent non-executive Director, namely Mr. Tsang Ho Ka Eugene (chairman of the Risk Management Committee), one executive Director, Mr. Yip Kwok Hung Kevin and another executive Director, Mr. Siu Man Hei.

Principal duties of the Risk Management Committee are to monitor the Group's exposure to sanctions law risks and its implementation of the related internal control procedures, to review and approve all relevant business transaction documentation from customers or potential customers and the information relating to the counterparty to the contract along with the draft business transaction documentation. The Risk Management Committee is also responsible for periodically reviewing the Group's internal control policies and procedures with respect to operational risk, foreign currently risk, legal risk, etc, and setting out guidelines for the Company to enhance the Group's existing internal risk management functions.

There was one Risk Management Committee meeting held during the Year. The Risk Management Committee has performed the following work during the Year and up to the date of this report:

– reviewed the potential risks exposed to the Group due to the outbreak of COVID-19 and relevant actions taken by the management;

– reviewed the credit risk measures of the Group;

– reviewed existing and potential risk of the Group and the related measures being taken;

– reviewed any market and operational risk;

– reviewed the results of internal control report and enterprise risk assessment prepared by internal auditor; and

– reviewed the Group's risk management and internal control system, and the effectiveness of the internal audit function of the Company.

Investment Committee

The Investment Committee comprises five members, one of them is independent non-executive Director and all of them have the requisite experience and expertise to enhance the Company's investment strategies. The Investment Committee comprises one independent non-executive Director, namely Mr. Tsang Ho Ka Eugene, two non-executive Directors, namely Mr. Xu Xingli (chairman of the Investment Committee) and Mr. Ding Jingyong (appointed on 23 June 2021) and two executive Directors, Mr. Yip Kwok Hung Kevin and Mr. Siu Man Hei. Mr. Huang Jianhong resigned as a member of the Investment Committee on 23 June 2021.

Principal duties of the Investment Committee are to revise and make recommendations to the Board on investments of the Group, to develop, formulate and periodically review the investment objectives and corporate policy on the investments of the Group and to oversee the implementation and execution of such objectives and policy, to supervise the legal and compliance aspects of the Group's investment activities, and to consider other topics and matters relating to the investments of the Group as requested by the Board.

There was one Investment Committee meeting held during the Year. The Investment Committee has performed the following work during the Year and up to this report date:

– reviewed the implementation of investment objectives and policy;

– reported to the Board in respect of the subscription, redemption and any other matters relating to investments of the Group and supervised the legal and compliance aspects of these investment activities;

– reviewed and reported to the Board the performance of investments of the Group; and

– reviewed and reported to the Board the investment plan of the Group for the upcoming year.

DIRECTORS' ATTENDANCE RECORDS

The Directors can attend meetings in person or through other means of electronic communication including by telephone and video conference in accordance with the articles of association. All minutes of the Board meetings were recorded in sufficient details of the matters considered by the Board and the decisions reached.

There were seven Board meetings held during the Year, two of which were regular meetings held for approving the final results for the Previous Year and the interim results for the six months period ended 30 June 2021. The Board has also performed the following work during the Year and up to this report date:

– approved the final results for the Year;

– reviewed and approved the provision of guarantee for banking facilities;

– reviewed and approved the appointment and resignation of non-executive Director;

– reviewed and made recommendations to the Shareholders in respect of the framework agreements regarding continuous connected transactions;

– reviewed and approved the subscription, redemption and any other matters relating to investments of the Group;

– approved the allotments of shares pursuant to the Share Option Scheme; and

– considered the resignation and appointment of external auditor.

CORPORATE GOVERNANCE REPORT (CONTINUED)

Attendance records of each Director at the Board meetings and Board committee meetings are as follows:

Name of Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Investment Committee	Extraordinary General Meeting	2021 AGM
Executive Directors								
Siu Man Hei	7/7	–	–	–	1/1	1/1	1/1	1/1
Yip Kwok Hung Kevin	6/7	–	–	–	1/1	1/1	1/1	1/1
Ding Chunya	3/7	–	–	–	–	–	1/1	1/1
Kau Wai Fun	3/7	–	–	–	–	–	1/1	1/1
Non-Executive Directors								
Xu Xingli	3/7	–	1/1	1/1	–	1/1	1/1	1/1
Ding Jingyong (appointed on 23 June 2021)	2/6	–	–	–	–	–	1/1	–
Huang Jianhong (resigned on 23 June 2021)	1/1	–	–	–	–	1/1	–	1/1
Independent Non-Executive Directors								
Liu Yi	3/7	4/4	–	–	–	–	1/1	1/1
Sun Yansheng	3/7	4/4	1/1	1/1	–	–	1/1	1/1
Tsang Ho Ka Eugene	3/7	4/4	1/1	1/1	1/1	1/1	1/1	1/1

"–": Not Applicable

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors and employees (the "**Security Code**") on terms no less exacting than that of the Model Code for Securities Transactions by Directors of Listed Companies (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 throughout the Year.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing the consolidated financial statements that give a true and fair view of the Group for the Year and to review such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors have assessed the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

A statement by auditor about their reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The Board is responsible for presenting a balanced, clear and understandable assessment of the Group's performance, position and prospects in the annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other statutory and regulatory requirements.

The management has provided the Board with sufficient explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements which are put to the Board for approval.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about its reporting responsibilities for the financial statements is set out under the section headed "Independent Auditor's Report" on page 100 to 105 of this annual report.

The remuneration charged by the Company's auditor, BDO Limited, during the Year is set out below:

Category of Services	**Fee paid/Payable 2021** *HK$'000*
Audit Service	**1,080**
Non-audit Services	
— Interim review fee	**300**
Total	**1,380**

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has a set of risk management procedures and an internal control system with a clear governance structure and reporting mechanism to help the Group manage its risks in all business segments.

The Group has established an organisational structure for risk management, which comprises the Board, the Audit Committee and Risk Management Committee, the business departments, management and staff of the Group. The Board assesses and determines the nature and extent of risks acceptable to the Group in achieving its strategic objectives, and ensures that it establishes and maintains proper and effective risk management and develops a suitable corporate risk culture.

The Group has also developed and adopted a management system for corporate risks, which provides effective solutions to risk identification, assessment and management. The Risk Management Committee identifies the risk factors affecting the Group in realising its business objectives, prioritises risks based on their possibility and impact, formulates solutions and strategies for major risks, and designates appropriate personnel to address such risks.

In addition, the Group has engaged an independent professional adviser to assist the Board and the Audit Committee in on-going monitoring of the internal control system of the Group by identifying deficiencies in the design and implementation of internal control measures and proposing recommendations for improvement.

Risk management report and internal control report are submitted to the Audit Committee and the Board at least once a year. The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems for the Year, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are effective and adequate.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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 the customers and the markets.

INSIDE INFORMATION POLICY

The Group complies with the requirements of the SFO and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMPANY SECRETARIES

The company secretaries of the Company are responsible for ensuring that the Board procedures, applicable laws, rules and regulations are followed as well as the Board activities are efficiently and effectively conducted. They are also responsible for ensuring that the Board is fully appraised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of the Directors.

According to Rule 3.29 of the Listing Rules, the company secretaries of the Company have taken no less than 15 hours of relevant professional training for the Year.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective and on-going communications with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to evaluate the performance of the Group. Therefore, the Company has the responsibility to maintain an on-going dialogue with the Shareholders to provide them with the information necessary to evaluate the performance of the Group.

The general meetings of the Company provide a forum for constructive communication between the Board, senior management and the Shareholders. The chairman of the Board and Board Committees or, in their absence, other members of the respective committees, shall be available to answer questions at Shareholders' meetings.

The Company also communicates with the Shareholders, investors and general public through the annual report, interim report and other corporate announcements.

To promote effective communication, the Company maintains a website at http://www.sldgroup.com, where up-to-date information and updates on the Company's structure, the Board, business developments and operations, financial information, corporate governance practices, results of the Company (annual and interim), press releases and other information are posted.

There is no change in the Company's constitutional documents during the Year. Up-to-date version of the Company's constitutional documents are also available on the Company's website and the Stock Exchange's website. Furthermore, the Board proposes to amend the existing amended and restated articles of association of the Company and adopt a second amended and restated articles of association (the "**New Articles of Association**") of the Company on 21 March 2021, in order to (i) be in line with the Companies Act of the Cayman Islands and the latest amendment to Appendix 3 to the Listing Rules and (ii) incorporate certain housekeeping improvements. The adoption of the New Articles of Association is subject to the approval of the Shareholders by way of a special resolution at the forthcoming AGM, and will become effective upon the approval by the Shareholders at the AGM.

SHAREHOLDERS' RIGHTS

The Board and management shall ensure Shareholders' rights and all Shareholders are treated equally and fairly. Pursuant to the articles of association, any Shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the secretaries of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

To safeguard the shareholder interests and rights, a separate resolution should be proposed for each substantially separate issue at shareholder meetings, including the election of individual Directors. All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each Shareholders' meeting.

Detailed procedures for the Shareholders to convene an extraordinary general meeting, putting forward proposals at a general meeting and proposing a person for election as a Director are also available in the articles of association of the Company.

Shareholders of the Company may at any time send their enquiries and concerns to the Board in writing with contact information of the requisitionists and deposited to the company secretaries of the Company at the principal place of business of the Company in Hong Kong at 30/F, Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Kowloon, Hong Kong or to the Group's email at ir@steveleung.com.

DIVIDEND POLICY

The Group aims to maintain sufficient working capital for its business operation at the same time provide Shareholders with stable and sustainable returns through the dividend policy adopted. In determining whether or not to and/or the amount of dividend to be proposed in any financial year/period, the Directors will take into account the Group's operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as may be relevant at such time. The recommendation of the payment of dividends is subject to the absolute discretion of the Board and the approval of Shareholders. Any declaration and payment as well as the amount of the dividend will be subject to the Group's constitutional documents and the Cayman Companies Act.

Dividend payments will also depend upon the availability of dividends received from the Group's subsidiaries in the PRC. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including Hong Kong Financial Reporting Standards. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as cash dividends. Distributions from the Company's PRC subsidiaries may also be subject to any restrictive covenants in bank credit facilities or loan agreements, convertible bond instruments or other agreements that the Group may enter into in the future.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in the Group's operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Group is pleased to present its Environmental, Social and Governance ("**ESG**") report. The ESG report helps the Group to keep a close eye on its sustainability performance as well as the opportunities to improve its performance.

Reporting Scope and Boundary

This report summarises the Group's ESG performance of its major operations in Hong Kong, Shanghai, Guangzhou and Beijing, where these operations take up most of the Group's headcount during the Year, and covers its management policies, mechanisms and measures in place during the Year with respect to the environmental protection, emission reduction, safe workplace, personnel training and drills, supply chain management and community investment and engagement. Focuses are placed on certain aspects closely relevant to its Shareholders and stakeholders, and its full commitment to sustainable development of the Group as a whole.

Reporting Standard

This report has been prepared in accordance with Appendix 27 of the Listing Rules, "ESG Reporting Guide" (the "**ESG Guide**"). The report covers the environmental and social performance of the Group, information on corporate governance have been separately presented in the section headed "Corporate Governance Report" of this annual report in accordance with Appendix 14 of the Listing Rules.

Materiality

The materiality and relevance of the ESG related issues are carefully evaluated by the Group and the opinions of its internal management and various stakeholders, such that the identified material ESG issues are validated and reported according to the stakeholder's concern.

Quantitative

The disclosure of ESG key performance indicators ("**KPIs**") in the ESG report are supported by quantitative data and measurable standards. All applicable statistics, calculation tools, methodologies, reference materials and sources of conversion factor used are disclosed when presenting the emission data.

Consistency

To facilitate the comparison of ESG performance between years, consistent reporting and calculation methods are adopted as far as reasonable, any significant changes in methodologies are also detailed in relevant sections. The intensities in the ESG report were calculated as per capita of the Group.

ABOUT US

Our Business

The principal operations of the Group involve providing interior design services, interior decorating and furnishing services and product design services. Founded in 1997, with experience of completing a variety of well-known and award-winning projects, the Group enjoys a competitive edge in the interior design and decorating services industry. Well recognised in the PRC, Hong Kong and the overseas, the Group is known for undertaking residential, private residence and hospitality projects which target the high-end market.

Our Philosophy

Design without limits — Design has the power to break boundaries.

Our Mission

To provide the best lifestyle experience to meet clients' demands and create value to the Shareholders and investors based on our experienced and reliable working team with extensive knowledge.

OUR STAKEHOLDERS

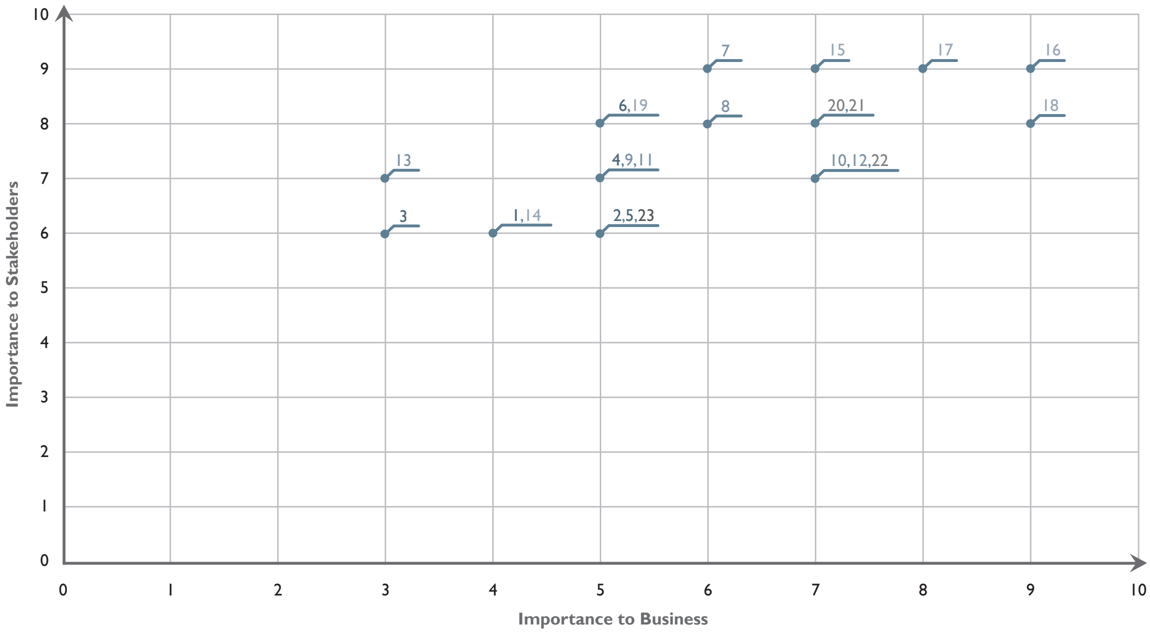
The Group actively strives to better understand and engage its stakeholders to ensure continuous improvements. We strongly believe that our stakeholders play a crucial role in sustaining the success of our business in the challenging market.

Stakeholders	Probable issues of concern	Communication and responses
HKEx	Compliance with listing rules, timely and accurate announcements	Meetings, training, roadshows, workshops, programs, website updates and announcements
Government	Compliance with laws and regulations, prevention of tax evasion, and social welfare	Interaction and visits, government inspections, tax returns and other information
Suppliers	Payment schedule, stable demand	Site visits
Shareholders/Investors	Corporate governance system, business strategies and performance, and investment returns	Organising and participating in seminars, interviews, Shareholders' meetings, issue of financial reports and/or operation reports for investors, media and analysts
Media & Public	Corporate governance, environmental protection, and human right	Issue of newsletters on the Company's website
Clients	Product quality, delivery times, reasonable prices, service value, labour protection and work safety	Site visits, and after-sales services
Employees	Rights and benefits, employee compensation, training and development, work hours, and working environment	Union activities, trainings, interviews for employees, employee handbooks, internal memos, employee suggestion boxes
Community	Community environment, employment and community development, and social welfare	Community activities, employee voluntary activities, community welfare subsidies and charitable donations

MATERIALITY ASSESSMENT

During the Year, the Group had performed its materiality assessment exercise, including conducting surveys with internal and external stakeholders such as the management, employees, and suppliers to identify the most significant environmental and social impacts towards our business. With reference to the reporting scope and the consideration towards the corporate business characteristics, the Group has identified related material topics and are illustrated in the following diagram:

Materiality Matrix



Environmental Impact
1. Greenhouse gas emission/ global warming
2. Energy consumption
3. Water consumption
4. Paper consumption
5. Climate change
6. Compliance with environmental laws and regulations

Employment and Labour Practices
7. Anti-COVID-19 epidemic
8. Employee rights and welfare
9. Inclusion, equal opportunities and anti-discrimination
10. Talent attraction and retention
11. Occupational health and safety
12. Training and development
13. Preventive measures for child and forced labour

Operating Practices
14. Supply chain management
15. Customers' satisfaction
16. Customers' privacy
17. Product quality
18. Intellectual property
19. Economic performance

Leadership and Govenance
20. Operational compliance
21. Corporate governance
22. Anti-corruption

Community Investment
23. Community investment and engagement

With reference to the above diagram, the Group has identified three most material topics relating to its operations, namely customers' privacy, product quality and intellectual property.

Going on, the Group will maintain communication with its various stakeholders and collect respective opinions through different channels more extensively for making comprehensive and substantive analysis. At the same time, the Group will revise the reporting principles of materiality, quantification, and consistency in order to better align with the expectations of stakeholders and reporting requirements regarding the content of the ESG report when necessary.

BOARD STATEMENT

The Group understands the importance of efficient ESG governance to sustainable business development. The Group has incorporated an ESG management framework to ensure the effective implementation of the ESG governance policy among its operation. The Board assumes primary responsibility for the supervision of the Group's ESG governance. For instance, determining the Group's ESG approach, managing ESG-related risks, as well as supervising the management and relevant departments in formulating and implementing policies with appropriate measures. Through the adoption of a "top-down" management approach, effective communication among departments is facilitated for enabling policymakers to better understand the day-to-day operations of the Group.

The Board is responsible for:

- assessing and determining the Group's ESG risks;
- ensuring the establishment of appropriate and effective ESG risk management and internal control systems;
- developing ESG strategies, action plans, objectives and targets;
- monitoring the progress and performance of ESG initiatives; and
- reviewing and approving the annual ESG report.

The management of the Group is responsible for:

- reporting ESG-related risks and opportunities to the Board;
- providing guidance on the implementation of ESG policies and measures;
- arranging work in accordance with the ESG strategies, action plans, objectives and targets formulated by the Board;
- reporting to the Board on the progress and performance of ESG work; and
- reviewing and submitting annual ESG report to the Board for approval.

Functional departments of the Group are responsible for:

- coordinating and implementing specific ESG policies and measures;
- reporting to the management of the Group on ESG work;
- collecting information and data in relation to ESG performance of the Group; and
- preparing annual ESG report and reporting to the management of the Group.

The Board will continue to observe the ESG-related work and keep up on the latest ESG disclosure requirements of the Stock Exchange. The Board will also ensure close collaboration between all departments to achieve the goal of operational compliance, taking the social responsibility and develop clearer ESG objectives and targets for the Group in the future in order to strive for better performances and better align with stakeholders' expectations.

SECTION A: ENVIRONMENTAL PERFORMANCE

The Group strongly believes that a healthy environment is the basis of its sustainable development. Therefore, the Group will strive hard to integrate environmental sustainability into the Group's business operations through various measures so as to reduce the level and intensity of related carbon emissions.

As per the incorporation of Beijing operation into the Group's ESG reporting scope starting from the Year, the data disclosed in the ESG report are referenced according to the original scope concerning operations of Hong Kong, Guangzhou and Shanghai and the new scope with Beijing's data included, all respective comparative figures/data has been revised to conform with the new reporting scope of the Year.

During the Year, there was no material non-compliance issue with relevant laws and regulations related to the environment. The Group will continue to be alert to any non-compliance behavior relating to major environmental concerns.

Emissions

The Group is committed to promoting environmental health and human well-being through the provision of environmentally friendly interior design services. Environmental protection and emission reduction have always been the top priority of the Group. The purpose of measuring the emission data is to better understand its environmental impacts and taking meaningful actions thereafter.

Air Emissions

The business of the Group mainly focuses on providing interior design services, interior decoration and furnishing services and product design services, which do not involve gaseous fuel consumption or vehicles usage. Therefore, no material emissions of air pollutants, such as nitrogen oxides ("NOx"), sulphur oxides ("SOx"), etc., were identified during the Year. However, the Group's consumption of electricity, production of paper waste, and employees' business air travels still contributed to the emissions of greenhouse gases as disclosed in the next section.

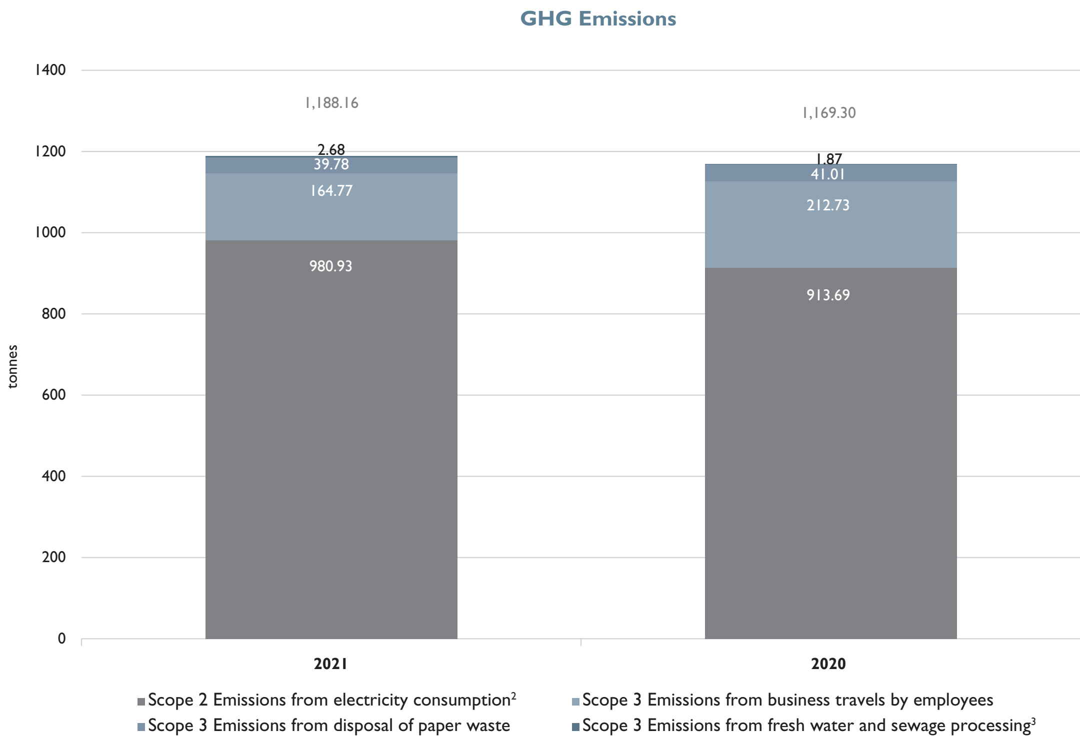
Greenhouse Gas Emissions

Greenhouse gases ("**GHG**") are compound gases that trap heat in the atmosphere. They are highly responsible for causing greenhouse effect, contributing to climate change from the accelerated rate of global warming.

In order to reduce GHG emissions, the Group embraces in driving green practices in its day-to-day operations. The Group is also committed to environmental conservation, natural resource saving and waste reduction.

During the Year, total GHG emissions amounted to approximately 1,188.16 tonnes (Previous Year: 1,169.30 tonnes). The corresponding intensity of GHG emissions was approximately 2.12 tonnes per employee[1] (Previous Year: 2.10 tonnes).

The GHG emissions of the Group's operations were mainly attributed to electricity consumption (Scope 2), paper waste disposed of at landfills (Scope 3), electricity used for fresh water and sewage processing by responsible authorised government departments (Scope 3), as well as business air travels by employees (Scope 3). Details of the GHG emissions is summarised in the following chart:



Notes:

1 The number of employees for the Year was 560 (Previous Year: 558).

2 The emission factor for Hong Kong was 0.57 $kgCO_2e/kWh$ according to the Sustainability Report 2020 of CLP, while for Guangzhou, Shanghai and Beijing was 0.8042, 0.7921 and 0.9419 tCO_2/mWh respectively according to《2019 年度減排項目中國區域電網基準線排放因子》issued by the Ministry of Ecology and Environment of the PRC.

3 The emission factor for fresh water and sewage processing was referenced on the situation of Hong Kong. The unit electricity consumption on fresh water and raw water was 0.596 kWh/m^3 according to the Annual Report 2019-20 issued by the Water Supply Department, while the purchased electricity consumption per unit volume of sewage treated was 0.29 kWh/m3 according to the Sustainability Report 2020-21 issued by the Drainage Supply Department, with the Default Emission Factory set at 0.7 for the electricity used for processing fresh water and sewage.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The total GHG emissions increased by approximately 2% compared to the Previous Year, mainly due to the fact that operations has resumed to business normal with the adaptations to COVID-19 in the Year. For Scope 2, the electricity consumption increased by approximately 7% for the Year due to the increased business operations in the Year. For Scope 3, the emission regarding paper waste disposed of at landfills during the Year had slightly decreased by approximately 3%, while the emissions from business travels by employees had noticeably decreased by approximately 23% due to the continued influence of COVID-19 pandemic and related restriction on air travelling. On the other hand, though water consumption is considered immaterial to the Group's operation previously, emissions from fresh water and sewage processing was newly included in the Group's reporting scope of the Year to raise the overall comprehensiveness of the reporting boundary. As the water supply of the Hong Kong office is managed by the building management of the leased office premise, only data from Guangzhou, Shanghai and Beijing were included. The total GHG emissions from fresh water and sewage processing had increased by approximately 43% for the Year due to the keeping of personal hygiene amid the COVID-19 pandemic and the water leaking problem of a Beijing office in early 2021.

In view of the impact of GHG emissions on the environment, the Group is committed to minimising the carbon emissions within its operations as far as possible. The Group also continued to implement different measures to cut down the consumption of resources and carbon emissions.

All newly equipped electrical appliances and office equipment should be certified energy efficient products. For instance, the printers and copiers at the Hong Kong office are Energy-star certified, where less energy is needed to perform regular tasks and will automatically enter into low-power mode when not in use. Besides, natural lighting is recommended and harvested from the windows at the offices for reducing the use of artificial lightings. Lightings are also switched off during lunch hour to save energy. Along with that, the Group adheres to the 3Rs principle, namely reduce, reuse and recycle, throughout its operations. The Group encourages reducing the use of paper, water resources, electricity and stationery. Double-sided printing is recommended, while single-side-printed paper is collected for reuse. The Group also recycles used toner and parts of copiers to reduce wastage. Additionally, the Group has placed recycling bins in the offices to promote the recycling of waste including paper, plastic bottles and aluminum can.

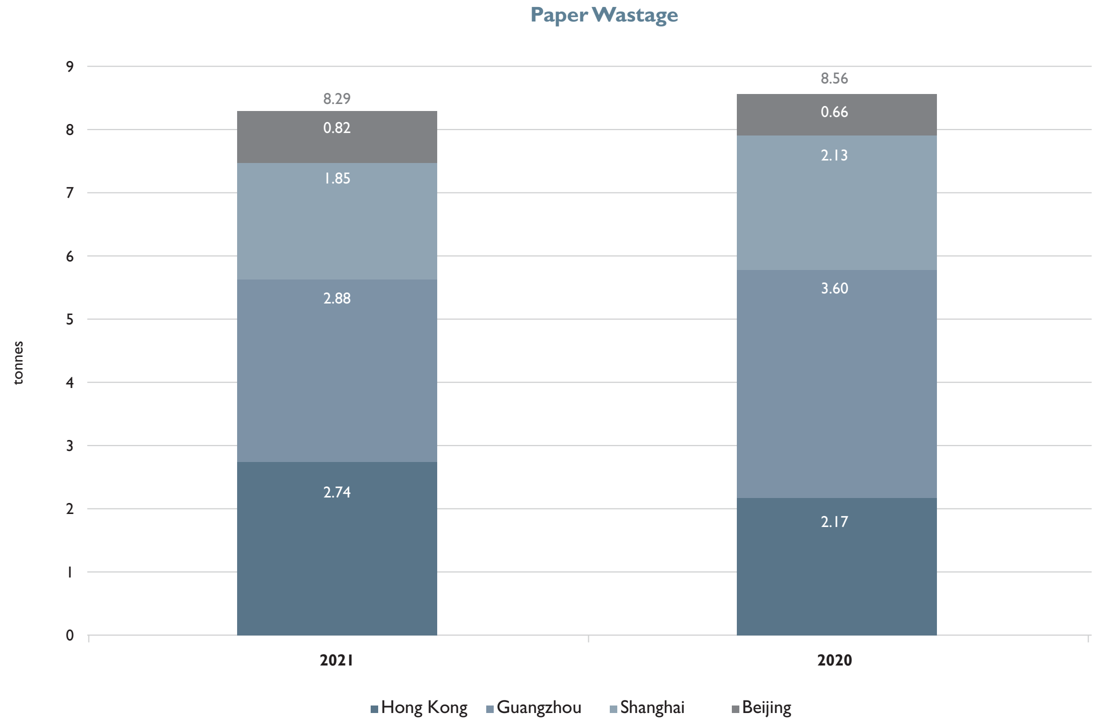
Office areas are designed to harvest natural lightings from windows for reducing the use of artificial lightings.

Through the aforementioned measures and the efforts put into the environmental policy, the Group will carry on with ensuring the environmental practices are abided by avoiding unnecessary electricity consumption and promote the virtues of resource conservation among its employees to make improvements and further scale down carbon emissions in the future.

Waste Management

The business operations of the Group do not produce hazardous waste such as chemical wastes. On the other hand, the measurable non-hazardous waste produced by the Group is mainly paper waste. With decreasing availability of suitable land for landfill and increasing environmental impacts of waste disposal, waste reduction has always been one of the objectives of the Group. Hence, the Group promotes reuse and recycle for restricting the production of non-hazardous waste.

The only measurable output of the Group's non-hazardous waste during the Year was paper waste. During the Year, the total non-hazardous waste produced had slightly decreased by approximately 3% from approximately 8.56 tonnes for the Previous Year to approximately 8.29 tonnes for the Year. The corresponding paper waste intensity for both years were approximately 0.015 tonnes per employee. The total paper waste produced by four geographical locations is summarised as below:



Meanwhile, various waste reduction measures are implemented in the office. Double-sided printing is encouraged while single-side-printed papers are collected for re-use. The Group has also recycled printed documents, used toner and parts of copiers to reduce wastage. To further reduce the number of printed documents, electronic documents are encouraged during daily business communications and operations. Moreover, the Group insists on purchasing all paper products certified by the Forest Stewardship Council ("**FSC**"), including printing paper, paper hand towels and tissues. FSC certification is awarded to products made from wood pulp sourced from well-managed forests. Despite the higher prices of FSC certified products, the Group believes these costs are worth spending if it can take part in sustaining the forests. On the other hand, although the Group did not have available information to estimate the weight of waste other than paper waste, it has been actively promoting sustainable practices, such as eliminating plastics at source. To reduce the use of disposable consumables, reusable tableware is provided in the pantry where employees do not need plastic tableware for lunch or refreshments.

By implementing effective environmental policies and waste reduction strategies with positive results, the Group is confident in its management of resource consumption and waste production.

Use of Resources

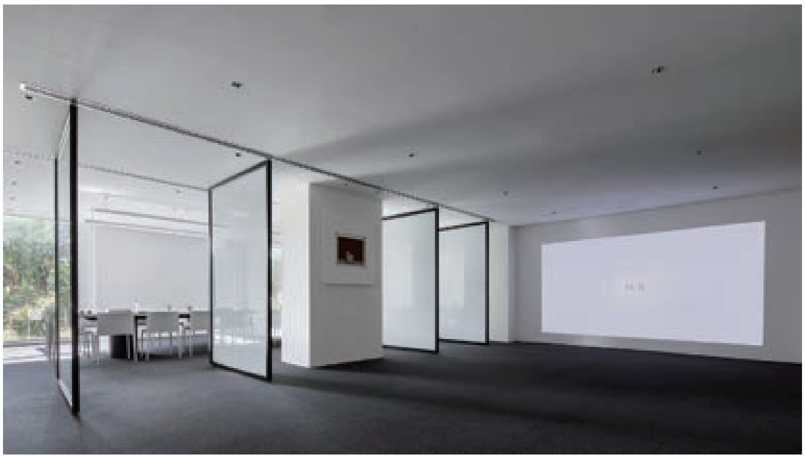
Considered that resource consumption bears environmental footprints, making full use of resources is encouraged to maximise their intended efficiency and to avoid wastage. The Group is committed to becoming a resource-saving and environmental-friendly enterprise to promote environmental protection. Reducing, which is one of the 3Rs principles, is championed and communicated to the employees in the aspect of use of resources.

Energy Consumption

During the Year, the total energy consumption was approximately 1,294,469.24 kWh (Previous Year: 1,176,079.45 kWh), with a noticeable increase of approximately 10%. This was mainly due to the operation of the Group being resumed to business normal with the adaptations to COVID-19. Correspondingly, the electricity consumption intensity increased by approximately 10% to approximately 2,311.55 kWh (Previous Year: 2,107.67 kWh) per employee for the Year.

The Group has made emphasis on the essentialness of energy conservation, in which different kinds of technically feasible measures are adopted to reduce energy consumption in the offices and workshops. The Group encouraged employees to develop energy-saving habits, such as switch off all idle appliances, and ensure all electronic equipments are switched off after work. Besides, the Group's Hong Kong and Guangzhou offices have maximised the potential of daylighting from the large windows surrounding the interior with artificial lightings to complement the illumination in areas further from window-sides. Glass partition walls and light-coloured interiors also favour light penetration and diffusion so that effective internal lighting can be fostered with a more even distribution of light reflectance. Moreover, lights are programmed to switch off during lunch hour to avoid wasting electricity.

Looking ahead, the Group will stay committed to striving for better performance in electricity consumption as much as possible.



Large windows have maximised the potential of daylighting, glass partition walls and light-coloured interior with artificial lightings complements the illumination in areas further from window-sides.

Water Consumption

Previously, in view of its immaterial emissions, water consumption were not included in the reporting scope. However, considered the increased water discharge and supply, water consumption is newly added to the reporting scope of the Year for covering the Group's environmental impacts in a more comprehensive manner.

During the Year, only data from Guangzhou, Shanghai and Beijing offices were included while no data was available for Hong Kong office as its water supply is managed by the building management of the leased office premise. The Group's total water consumption for the Year was approximately 4,317.43 m^3 (Previous Year: 2,981.65 m^3), which increased by approximately 45% comparing to the Previous Year, due to the keeping of personal hygiene amid the COVID-19 pandemic. Besides, one of the Group's office in Beijing experienced a water leakage problem in early 2021, water consumption has inevitably increased. The corresponding intensity of water consumption was approximately 7.71 m^3 (Previous Year: 5.34 m^3) per employee. Since the water supply is provided and controlled by respective government departments, there are no water sourcing issues experienced.

Like energy consumption, the Group facilitates the reduction of unnecessary water consumption given the scarcity of fresh water. Policy guidelines are set up in any case where sanitary ware is needed, certified water efficient devices should be purchased so that at least 20% of water consumption can be saved compared with conventional models. Aside from retrofitting of equipment, changes in employee behaviours and other operation practices are also encouraged in the Group. Pull out faucets are installed in the pantry of Hong Kong office, where the flexible faucets allows greater control during use, so that the reduced washing time implies less running water, thus achieving water efficiency.

While the Group's water consumption is not directly associated with its business and operations, the Group is still devoted to the conservation of water resources and aimed to minimise the corresponding carbon footprint as mush as possible.

Packaging Material

As the Group's business operations do not involve using packaging materials, there was no material record of disposal of packaging materials noted during the Year.

Environmental aspects	Targets
Energy conservation	The Group will persistently ensure the implementations of the electricity-saving policies and measures to maintain or reduce its electricity consumption.
Water conservation	The Group will persistently ensure the implementations of the water-saving policies and measures to maintain or reduce its water consumption.
Waste management	The Group will persistently ensure the implementations of the waste reduction policies and measures and the efficient use of resources to maintain or reduce its waste production.
GHG emissions	The Group will persistently ensure the implementations of the above-mentioned energy and water conservation and the waste reduction policies and measures to maintain or reduce its GHG emissions.

The Group will carry on to implement environmental-friendly policies and measure for maximising conservations in electricity, waste and material resources usage with the aim to minimise the environmental impacts from the GHG emissions. Going forward, more specific quantitative environmental objectives will be stipulated as needed to fit for the Group's vision, as well as the commitment in protecting the environment and cherishing the use of natural resources.

The Environment and Natural Resources

Apart from the aforementioned environmental-friendly practices, the Group has been promoting environmental-friendly interior design by incorporating environmental sustainability into its design. For instance, the indoor plant wall at the entrance of the Group's Hong Kong office serves as a biophilia to champion the connection between people and the nature. Greeneries such as potted plants are also placed along the office corridors. Not only can the plant-wall act as a biofilter to help filter air pollutants, but it can also create a sense of vitality, as well as a pleasant and relaxing atmosphere, thereby promoting both the mental and physical health of employees. In view of the importance of enhancing sustainability and the beauty of the nature, the Group will continue to advocate green designs.

Indoor plant wall at the entrance of Hong Kong office and greeneries placed along the office corridors serve as a biophilia to champion the connection between people and the nature.

In order to raise employees' awareness of environmental issues, the Group initiates different advocacy means on non-business-related issues. Display screens are set up in the office area to remind employees of the topic of over-fishing. Moreover, providing low-carbon food choices such as vegetables and fruits in the pantry can also provoke the idea of sustainable eating among employees. In a sense that making conscious food choices such as reduce meat intake and increase the intake of plant-based food to mitigate the emissions from the food industry contributing to global warming, as well as easing the frequency and intensity of climate disaster.

Apart from those disclosed above, no other significant impacts of activities on the environment and natural resources and actions taken are noted.

Climate Change

Human activities are known to be the main driver of climate change due to the corresponding GHG generated which accelerate greenhouse effect. The increase of heat trapping gases in the atmosphere such as carbon dioxide are preventing heat from escaping back to space.

With the need and trend of transforming into a more sustainable and low-carbon economy, the Group recognises the urge join the endeavour in mitigating the influence of global warming. The changing climate has brought to the Group with long-term and short-term uncertainties in forms of physical risks and transition risks. In response, integrating climate considerations into the Group's decision-making process is crucial to capital allocation, development of services, and supply-chain management for developing an action plan to adapt to its operation to climate change.

The Group is facing physical risk from the change in temperature, which includes a higher frequency and intensity of severe weather events, with extreme precipitation and extreme cyclones being the most dominant threat faced by the Group and its employees. While these events threaten the safety of employees working at the premises, the goods and services provided by the value chain may also be hampered due to disrupted logistic services or physical damages caused by the storms. In this regard, the Group has implemented special work arrangements for employees to refer to. Given the event of extreme weather conditions, employees should take note on their personal safety and make work arrangements accordingly.

Besides, with more climate conferences and climate-related policies expected in the future, an increase in operational costs is projected. With the PRC's vision towards 2060 carbon neutrality, there is a possibility on the implementations of carbon-pricing mechanisms such as carbon tax, cap-and-trade and mandatory regulation towards existing industries and services. As such, under the influence of carbon-pricing mechanisms, the Group's business performances may be hindered by incurring additional costs due to the cost shifting from service providers, for instance electricity companies, suppliers, and manufacturers. Moreover, a shift in market preferences including consumer expectations and demand and supply may lead to a call for greener alternatives. For this, the Group has incorporated environmental considerations when selecting suppliers, including whether suppliers meet environmental standards, and/or acquire any environmental certifications for reiterating their efforts in providing green products and services. In turn, a rise in investment and costs of operations and materials used may entail for maintaining the Group's reputation and competitiveness in the market.

Nonetheless, the Group is sought to taking greener commitments for achieving long-term success and being an environmentally responsible corporation, so that corporate strength could also be enhanced concurrently.

SUMMARY OF ENVIRONMENTAL PERFORMANCE DATA

	2021	2020
EMISSIONS INDICATORS		
Greenhouse Gas Emissions		
Total greenhouse gas emissions	**1,188.16 tonnes**	1,169.30 tonnes
Greenhouse gas emission intensity	**2.12 tonnes per employee**	2.10 tonnes per employee
Scope 2 Emissions from electricity consumption	**980.93 tonnes**	913.69 tonnes
Scope 3 Emissions from disposal of paper waste	**39.78 tonnes**	41.01 tonnes
Scope 3 Emissions from fresh water and sewage processing	**2.68 tonnes**	1.87 tonnes
Scope 3 Emissions from business travels by employees	**164.77 tonnes**	212.73 tonnes
Non-hazardous waste produced		
Total non-hazardous waste produced	**8.29 tonnes**	8.56 tonnes
Non-hazardous waste produced intensity	**0.015 tonnes per employee**	0.015 tonnes per employee
Hong Kong	**2.74 tonnes**	2.17 tonnes
Guangzhou	**2.88 tonnes**	3.60 tonnes
Shanghai	**1.85 tonnes**	2.13 tonnes
Beijing	**0.82 tonnes**	0.66 tonnes
USE OF RESOURCES INDICATORS		
Electricity consumption		
Total electricity consumption	**1,294,469.24 kWh**	1,176,079.45 kWh
Electricity consumption intensity	**2,311.55 kWh per employee**	2,107.67 kWh per employee
Water consumption		
Total water consumption	**4,317.43 m^3**	2,981.65 m^3
Water consumption intensity	**7.71 m^3 per employee**	5.34 m^3 per employee

SECTION B: SOCIAL PERFORMANCE

As per the increased level of disclosure requirements set out in the ESG Guide, the Group has expanded its reporting scope in relation to the social performance in the Year, all respective comparative figures/data will be effective in next year.

Employment

Employees are important assets to the Group and its success, in which continuous effort has been put for providing a harmonious working environment for its employees. The Group also strives to grow with its employees as it is mutually beneficial to both themselves and the business development in the long run. The Group also hosts an annual awards ceremony every year to acknowledge the contributions and achievements of loyal and dedicated employees.

As of 31 December 2021, the Group consisted of 560 members in Hong Kong, Guangzhou, Shanghai and Beijing offices. The Group believes that a diverse and inclusive workforce enhances its business by enabling innovative ideas and better communication. The composition of the Group's employees is detailed as follows:

Employee Benefits

A comprehensive employee benefits package is provided to dedicated and talented staff. Year-end bonus may be awarded based on the performance of employees and the Group. Appraisal is conducted annually to evaluate the performance of employees for addressing the development needs of them and also the Group. With reference to the appraisal, promotion and salary increment are rewarded to the contributing staff. Additionally, the Group also provides marriage coupons and birth coupons to employees who get married or give birth to babies.

The Group provides employees with various insurance coverage in respect to their working location. For employees working in Hong Kong, contribution to Mandatory Provident Fund and employees' compensation insurance are provided in accordance with the Employment Ordinance of Hong Kong (Chapter 57 of the Laws of Hong Kong). Meanwhile, Social Insurance and Housing Provident Fund related to local regulations are contributed by the Group to employees working in the PRC. In addition, Hong Kong employees are also covered by the Group Health Insurance Scheme subscribed by the Group for catering their basic healthcare needs.

In order to stimulate a healthy lifestyle and provide employees with a better work environment, healthy beverages, snacks, vegetables and fruits are supplied and refilled daily. Highly-processed ingredients and food are therefore avoided in the office.

Healthy beverages, snacks, vegetable and fruits are supplied and refilled daily to cater employees' healthy lifestyle.

Harmonious Workspace

A harmonious and inclusive work environment, free from any harassment and discrimination is promoted in the Group. The Group hires people regardless of their race, colour, religion, age, gender, sexual orientation, national origin, citizenship, disability, marital status or any other characteristics protected by law.

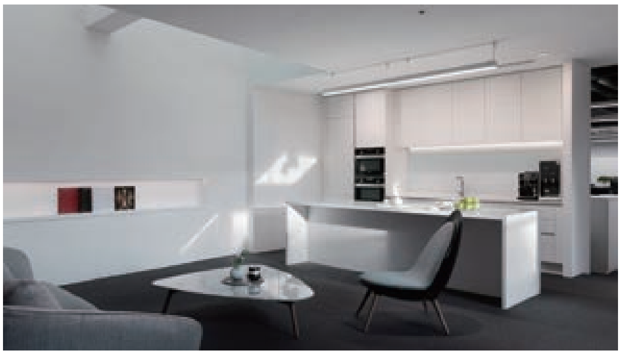
Procedure of grievances has been set up in the Group. Problems or complaints related to work or the Group are welcome to be discussed with the Directors. If further assistance is needed, employees can submit a written complaint to the Chief Executive Officer. All complaints will be considered fairly and effectively, and all information received will be kept confidential.

Work-Life Balance Of Employees

The Group encourages work-life balance. Employees are entitled for 12 to 24 days annual leave per year and enjoy 1 day of birthday leave in the month of their birthday. Marriage leave, compassionate leave, maternity leave and paternity leave are also provided to employees to meet the needs of their families. Although 5 days of 40-hour work per week is fixed, the Group offers employees with the flexibility of choosing one of five working timeslot options.

Furthermore, as the Group believes that a healthy lifestyle is fundamental to the wellbeing of employees, a Health Incentive Programme is established in order to encourage healthy living habits among employees. Among the Health Incentive Programme, the Sports Incentive Bonus Scheme aims to encourage employees to build and maintain a regular exercise routine, a Team Sports Subsidy Scheme aims to encourage the physical health benefits of sports while reinforce the interactions between employees, and a Health Gadget Subsidy aims to encourage health monitoring among employees themselves.

The Group has also offered public leisure areas in Hong Kong and Guangzhou offices for employees to take breaks or have casual meetings. The Group believes that a comfortable working environment can help stimulate employees' creativity, consequently enhancing their productivity.



Comfortable public areas are offered in offices for employees to take breaks or have causal meetings.

Talent Retention

With all the above-mentioned benefits and welfare for employees, the Group has successfully maintained a low turnover rate of approximately 4% in the Year. During the Year, the monthly average turnover rate of employee by age group were approximately 6% (18–25 years old), 4% (26–35 years old), 2% (36–45 years old), 1% (46–55 years old), and 4% (above 55 years old); while the monthly average turnover rate of employee by gender were approximately 4% (male) and 3% (female). The monthly average turnover rate of both Hong Kong and Guangzhou were approximately 3% while for both Shanghai and Beijing were approximately 4%.

Health and Safety

The Group is committed to safeguarding the health and safety of all employees. It has arranged various gadgets to enhance the conditions at work for the employees. For example, air monitoring devices are installed in the office to monitor the indoor air quality and pollutant level, where related information is displayed in the pantry for employees' reference. The Group also provides adjustable computer stands to its employees so that they can choose to work in standing or sitting position according to their own preference. Additionally, the Hong Kong office has also achieved WELL Certified™ Gold Certification issued by the International Well Building Institute (IWBI™). WELL™ is a performance-based system that measures, certifies and monitors features of the built environment that impact human health and well-being through behaviour, operations and design in seven factors. Having considered the importance to foster well-being, the Hong Kong office has satisfied all the preconditions of WELL™ New and Existing Interior Projects in addition to at least 60 points of the applicable optimisations within the scoring system for achieving the gold certification. Features such as reduced indoor air contaminants and adequate exposure to daylight guarantees the quality of the indoor environment, thereby provided employees with a safe and healthy space that helps boost performance and creativity without compromising wellness.

To prevent the spread of COVID-19, epidemic prevention materials such as alcohol hand sanitisers and sprayers, disposable surgical masks and infrared thermometers are also provided by the Group. Both guests and employees are required to have a temperature check prior to entering the office area, while guests are required to register their information in the logbook at the reception. Staff are also reminded to stay vigilant and maintain good personal hygiene, where a display screen is situated next to the sinks in the pantry to remind employees to wash hands and keep appropriate social distance. Moreover, influenza vaccination outreach service is arranged by the Group to provide influenza vaccination to employees during the winter influenza season for reducing the risk of infection. Work from home arrangements are also implemented to counter the risk of COVID-19.

The Group understands that preventive measures are way more important than reactive measures. Therefore, the office area is equipped with sufficient first-aid kits and fire extinguishers in case of emergency. Furthermore, the Group also encourages all employees to participate in fire drills to familiarise themselves with the evacuation procedures.

During the Year, there were 3 cases of work injury which is equivalent to 41 lost days, and no fatalities (2020: 3 cases of work injuries and no fatalities; 2019: nil) reported in the Group. Looking ahead, the Group will continue to promote occupational health and safety to employees and will avoid any work-related injuries or accidents by all means.

Development and Training

The Group underlines the indispensableness of employee improvement, and is committed to providing adequate and efficient training to its employees. New employees are subjected to induction trainings to familiarise themselves with the daily operations of the Group. Internal trainings are also held from time to time to improve the skills and knowledge of employees for keeping them informed of the latest design trends. Other than internal training, employees are entitled to 3 days of examination leave each year to prepare for and sit in examinations related to their job duties. External seminars and exhibitions will also be sponsored to stimulate inspirations and consolidate knowledge and skills of employees. The Group also pays attention to the competence requirements of employees at all levels to ensure that employees grow in line with the Group. Both initial employee performance evaluation and annual performance assessment are conducted to facilitate two-way communication between management and employees, as well as to help the management to better understand the training and development needs of employees.

During the Year, there were 19 internal training sessions with a total number of 486 attendants, with approximately 63% of employees attended. The percentage of trained employees by gender for male and female was approximately 48% and 52% respectively, while by employee category for frontline staffs, middle management and senior management was approximately 81%, 17% and 2% respectively. The average training hours completed per employee was approximately 1.58 hours; by gender for male and female was approximately 1.77 hours and 1.43 hours respectively; and by employee category was approximately 1.51 hours, 1.85 hours and 1.86 hours for frontline staff, middle management and senior management respectively.

To maintain both the quantity and quality performance of our employees, the Group will continue to provide ample trainings in the future.

Internal trainings are well promoted and held from time to time to ensure all employees have a chance to update on the latest design trends.

Labour Standards

The Group complies with all immigration laws and regulations. Respect for human rights has always been an integral part of the Group's sustainable development approach. The Group fully complies with labour laws and other relevant legislation that prohibits child labour and forced labour. During recruitment process, documents with legal qualifications to work in Hong Kong, Shanghai, Guangzhou or Beijing are obtained and verified. The Group will not employ any person below the minimum age requirement for employment in the jurisdictions where the Group operates or conducts business. Any violent behavior that forces employees to work for the purpose of deliberately causing difficulties, threats and/or corporal punishment is prohibited. Through the whistle-blowing system, all employees are welcomed to propound the injustice they face. The management will investigate any reported cases immediately and take further follow-up actions when necessary.

During the Year, there was no material non-compliance with applicable laws and regulations in relation to labour standards.

Supply Chain Management

The Group implements stringent management of its suppliers. In this regard, the Group maintains a list of approved suppliers that meets the Group's procurement requirements, and only places purchase orders with the suppliers on the list to ensure product quality and reduce the risk of any supply chain disruption. If the Group identifies any potential new suppliers, it will conduct preliminary assessments of the new suppliers, including quality inspections of products and supplies. Only those with satisfactory results will be added to the list. In addition, the Group regularly conducts performance evaluations on the quality and delivery time of suppliers' products or materials to ensure that the requirements of the Group are met. As of 31 December 2021, there were a total of 237 suppliers, out of which 56 were in Shanghai, 67 were in Guangzhou and 67 were in Beijing.

In order to better assess and manage both the environmental and social risks along the supply chain, the Group has prepared a set of guidance as a basis to evaluate if the suppliers meet its expectations. For instance, whether if the manufacturers have acquired any environmental assessment certifications are an important indicator for supplier assessments. Besides, as per the observations during inspections of goods received, whether the workers involved in the production process are skillful and that if the overall working environment is clean and organised, are considered important indicators for the corresponding hidden safety management risks of suppliers. In addition, all manufacturers are required to follow the production requirements and standards which serve as a guideline to safeguard the product's quality, as well as their health and safety standards. If products are found not meeting the standards of the Group upon checking and inspections, suppliers and manufacturers are required to replace the defected. To compliment the adoption of environmentally preferable suppliers, the Group has also established a set of mandatory requirements for design standards regarding environmental health and safety, in which the employees are required to follow when carrying out project duties for reinforcing environmental considerations within the operation.

Suppliers are encouraged to demonstrate their corporate social responsibilities by complying with corporate social responsibility standards and business ethics in workplace operations, marketing activities, social interactions and environmental responsibility. High ethical standards, including prohibition of offer and acceptance of bribes and/or other unfair benefits, are adopted by the Group. Information of business activities, business structure, financial status and financial performance, etc. should be disclosed only in accordance with applicable laws and regulations.

Product Responsibility

Quality Control

The Group is committed to providing services with high standards of quality and reliability, based on the clients' requirements. Regarding customer service procedures, the Group has developed a comprehensive design quality control manual which details the contents and level of details to be included in the different documents, the labeling requirements of the samples and the typical scope of work. While the client relationship management (CRM) system is responsible for handling evaluations regarding the Group's service quality, a detailed checklist has also been established to specify the working procedures at different stages, so as to ensure the quality of services provided.

The Group's quality control team, headed by the chief creative officer of the Company, is responsible for overseeing the designs initiated by each design and decoration team for each project, and is responsible for their respective workload evaluation, billing matters, project management, contract matters and customer relations. By observing the work produced by employees and their corresponding workload, the quality of work can be better sustained while ensuring the project particulars are also taken care of. Furthermore, having earned the first place in the "Residential Design Category" in 2020 and ranked the global position of top 20 in the interior design magazine "Top 100 Giants Research" of the United States exemplified the Group's commitment to service quality.

During the Year, there was no material non-compliance with applicable laws and regulations relating to product responsibility. Given the business nature of the Group, there are no recalls of products for safety and health reasons. There was a total of 1 complaint received in the Year, and it was resolved as per fulfilling the client's request on team replacement for performing subsequent project duties.

Client Service Management

Client satisfactory is of utmost importance to the Group. Meetings are held with clients to understand their preferences and requirements and drawings are delivered to clients from time to time during projects. Clients are required to fill in a confirmation of reference drawings to confirm the design before the commencement of the next stage of work. Questionnaires are distributed to clients to collect comments and feedback during and at the end of the design projects. Improvement will be made accordingly, and the collected comments and feedbacks are taken as reference for future design. Moreover, if any complaint is received, corrective action as well as preventive action will be considered, so as to ensure the quality of client services and prevent recurring of similar problems in future.

Confidentiality

The Group has established and circulated the company policy and code of conduct, specifying the importance of confidentiality. Employees are required to sign a non-disclosure agreement upon the confirmation of employment status. Unauthorised access to confidential information is strictly prohibited. Employees are strictly forbidden from disclosing any confidential information of the Group's potential, actual or past clients to any other person, firm, company, news, media, or association during or after their employment, regardless of termination. Failure to comply with this obligation may be treated as serious misconduct by the Group, for which the employee may be liable for summary dismissal.

Intellectual Property Rights

The Group recognises the importance of the protection of intellectual property rights, with corresponding guidelines reiterated in the policies stated in the code of conduct. To protect the Group's own intellectual properties and trademark, regular checks and observations is conducted to oversee any infringement from other parties occurs.

Anti-Corruption

All forms of bribery and corruption are prohibited. Without the permission of the Group, employees shall not solicit or accept any benefits or advantages related to their work. Advantages include both monetary and non-monetary gifts, loans, fee, reward, employment, contract, service, favor, etc. It is the Group's rule that no Director nor employee may solicit or accept any advantage from any person having business dealings with the Group, including clients, suppliers and contractors. Moreover, under no circumstances may a Director or employee offer an advantage to any person or company for the purpose of influencing such person or company in any business dealings.

Seminars on anti-corruption topics are provided to the employees from time to time to update their understanding of the latest regulations for maintaining integrity and a healthy corporate culture within the Group.

A code of conduct has been established to enable Directors and employees to act with the highest level of integrity, commitment and professionalism. Through the whistle-blowing mechanism, employees are encouraged to report any suspected cases of bribery or corruption. The management will investigate into any reported cases immediately, and take further follow-up actions when necessary.

In accordance with the established code of conduct, employees are strictly prohibited from engaging in any illegal activities including, but not limited to, extortion, fraud, and money laundering in addition to bribery and corruption. Identified cases will be followed-up with applicable legal actions. As integrity and professionalism are the core values of the Group, it is important for employees to uphold the abovementioned principles.

During the Year, there was no concluded legal case regarding corrupt practices brought against the Group or its employees.

Community Investment

As a socially responsible corporation, the Group embarks on the objective to make positive contributions to the industry and the community. In this regard, the Group has participated in various charity activities and encouraged employees' engagement within the community. To encourage community service engagements among the employees, a One-to-One Charitable Donation Programme is established to encourage and support employees making donations.

During the Year, the Group has made contributions to the education sector. Sponsorships with a total amount of HK$120,000 has been made to the Hong Kong Design Institute and the Hong Kong Design Centre. It is hoped that talented students with financial hardship can uphold their endeavors and contribute back to the industry one day. On the other hand, the Group has also participated in various activities related to interior design for fostering the exchange of experiences and expertise within the industry and encouraging young talents to join the industry. During the Year, the Group has partaken a total of 403.50 hours in volunteering work with a total of 52 employees involved.

Moving on, the Group will continue to expand its participation in different community activities to create positive impact to the society and help the industry to advance.

Regulatory Compliance

The Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to emissions, employment, health and safety, labour standards, product responsibility and anti-corruption during the Year.

SUMMARY OF SOCIAL PERFORMANCE DATA

	2021
EMPLOYMENT INDICATORS	
Employment	
Number of employees	**560**
By employment type	
Full-time	**81%**
Part-time	**19%**
By gender	
Male	**46%**
Female	**54%**
By age group	
18–25	**16%**
26–35	**54%**
36–45	**24%**
46–55	**5%**
Above 55	**1%**
By geographic location	
Hong Kong	**25%**
Guangzhou	**25%**
Shanghai	**23%**
Beijing	**27%**
By years of service	
Under 1 year	**36%**
1–3 years	**23%**
3–5 years	**16%**
5–10 years	**14%**
Over 10 years	**11%**

SUMMARY OF SOCIAL PERFORMANCE DATA (CONTINUED)

	2021
Employment turnover	
Overall turnover rate (monthly average)	**4%**
By gender	
Male	**4%**
Female	**3%**
By geographic location	
Hong Kong	**3%**
Guangzhou	**3%**
Shanghai	**4%**
Beijing	**4%**
By age group	
18–25	**6%**
26–35	**4%**
36–45	**2%**
46–55	**1%**
Above 55	**4%**
HEALTH AND SAFETY INDICATORS	
Number of reported injuries	**3**
Number of lost days	**41**
Number of fatalities	**–**
DEVELOPMENT AND TRAINING INDICATORS	
Number of internal training sessions#	**19**
Number of attendants	**486**
Percentage of trained employees	
Overall training proportion	**63%**
By gender	
Male	**48%**
Female	**52%**
By employee category	
Frontline staff	**81%**
Middle management	**17%**
Senior management	**2%**

Due to the COVID-19 epidemic, online training is provided by the Group.

SUMMARY OF SOCIAL PERFORMANCE DATA (CONTINUED)

	2021
Average training hours	
Average trainings hours per employee	**1.58**
By gender	
Male	**1.77**
Female	**1.43**
By employee category	
Frontline staff	**1.51**
Middle management	**1.85**
Senior management	**1.86**
SUPPLIER CHAIN MANAGEMENT INDICATORS	
Total number of suppliers	**237**
By geographic location	
Shanghai	**56**
Guangzhou	**67**
Beijing	**67**
Other regions	**47**
PRODUCT RESPONSIBILITY INDICATORS	
Total number of products subjected to recalls for safety and health reasons	**–**
Total number of complaints received	**1**
Total number of legal dispute case	**–**
ANTI-CORRUPTION INDICATORS	
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of cases	**–**
COMMUNITY INVESTMENT INDICATORS	
Sponsorship	**HK$120,000**
Total number of hours for employee volunteering work	**403.50**
Total number of employees being volunteers	**52**

ESG REPORTING GUIDE & REFERENCE

A. Environmental Performance		Page(s)
A1. Emissions		57-60
Policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		
KPI A1.1	The types of emissions and respective emission data.	
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emission in total (in tonnes) and where appropriate, intensity (e.g per unit of production volume, per facility).	
KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g per unit of production volume, per facility).	
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g per unit of production volume, per facility).	
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	
A2. Use of Resources		61-62
Policies on the efficient use of resources, including energy, water and other raw materials.		
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) and steps taken to achieve them.	
KPI KA2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	
A3. The Environment and Natural Resources		63
Policies on minimising the issuer's significant impact on the environment and natural resources.		
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	
A4. Climate Change		64
Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

B. Social Performance		Page(s)
B1. Employment		66-68
Policies and compliance with laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	
KPI B1.2	Employment turnover rate by gender, age group and geographical region.	
B2. Health and Safety		69
Policies and compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.		
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
KPI B2.2	Lost days due to work injury.	
KPI B2.3	Description of occupational health and safety measures adopted how they are implemented and monitored.	
B3. Development and training		70
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	
KPI B3.2	The average training hours completed per employee by gender and employee category.	
B4. Labour standards		71
Policies and compliance with laws and regulations relating to preventing child and forced labour.		
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	
B5. Supply chain management		71
Policies on managing environmental and social risks of the supply chain.		
KPI B5.1	Number of suppliers by geographical region.	
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

B. Social Performance		Page(s)
B6. Product responsibility		72
Policies and compliance with laws and regulations relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and method of redress.		
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	
KPI B6.4	Description of quality assurance process and recall procedures.	
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	
B7. Anti-corruption		73
Policies and compliance with laws and regulations relating to bribery, extortion, fraud and money laundering.		
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
KPI B7.3	Description of anti-corruption training provided to directors and staff.	
B8. Community investment		73
Policies on community engagement to understand the needs of the communities where we operate and to ensure that our activities take into consideration the communities' interests.		
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and provides corporate management services. The principal activities of its subsidiaries are set out in note 41 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income on page 106.

No interim dividend had been declared to the Shareholders during the Year and the Board did not recommend the payment of final dividend for the Year.

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. The payment of such special dividend will be subject to the approval of the Shareholders at the forthcoming AGM. It is expected that the proposed special dividend will be paid on 29 July 2022, if approved. 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.

BUSINESS REVIEW

The review of the business of the Group for the Year and the discussion on the Group's future business development are set out in the "Management Discussion and Analysis" section. In addition, discussions on the Group's relationships with key stakeholders, environmental policies and performance and compliance with relevant laws and regulations which have a significant impact on the Group are as follows.

Relationship with Key Stakeholders

The Group's success also depends on support from key stakeholders which comprise employees, clients, consultants, subcontractors and vendors.

Employees

Employees are regarded as the most important and valuable assets of the Group. The objective of the Group's human resources management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate trainings and by providing opportunities within the Group for career advancement.

Clients

The Group's major clients are property developers, main-contractors, hotel/restaurant owners and private individuals in Hong Kong and the PRC. The Group provides professional and quality services in interior design, interior decorating and furnishing and/or product design whilst maintaining long terms profitability, business and growth on assets.

Consultants, Subcontractors and Vendors

The Group believes that its subcontractors and suppliers also form an important part in business which enhance the Group's bargaining power on specialised design, and they are important to overall cost control in the interior decorating and furnishing services to increase competitiveness. The Group communicates with its consultants, subcontractors and vendors proactively to ensure they are committed to delivering high-quality service, and sustainable products and services to the Group. Unless the clients require the Group to engage consultants, subcontractors and vendors nominated by them, the Group will select consultants, subcontractors and vendors from its approved lists. In addition, during the continuance of the contracts with the consultants, subcontractors and vendors, the Group will provide guidelines on client's requirement and request them to follow. The Group effectively implements the subcontractor assessment process to monitor the performance of its subcontractors by conducting regular review on work, client's feedback, factory visit, evaluation on the performance of the contract and other measures.

Environmental Policies and Performance

It is the Group's corporate and social responsibility in promoting a sustainable and environmentally friendly environment. The Group adheres the 3Rs principle, namely reduce, reuse and recycle. It implements a series of green office practices, including but not limited to the reduction of energy consumption by switching off idle lightings and electrical appliances, reduction of usage of papers by double-sided printing and the reusing of single-side-printed papers, recycling of used toners and waste papers, and the setting up of recycling bins.

Apart from the adoption of abovementioned environmental-friendly practices, the Group continuously promotes the importance of environmental protection to its employees by integrating environmental sustainability into its design, providing green food and delivering environmental related topics through the display screen in the office area. The Group is committed to becoming a resource-saving and environment-friendly enterprise to promote environmental protection. Details of the Group's environmental policies and performance are set out in the "Environmental, Social and Governance Report" section of this annual report.

Compliance with Relevant Laws and Regulations

The Group mainly provides services and trading business in Hong Kong and the PRC. The Directors confirmed that, during the Year and up to this annual report date, the Group had obtained all the registrations and certifications required for its business and operations and had complied with the applicable laws and regulations in Hong Kong and the PRC in all material and relevant aspects.

PRINCIPAL RISKS AND UNCERTAINTIES

The description of principal risks and uncertainties the Group facing and key financial performance indicators are set out in the "Management Discussion and Analysis" section. The financial risk management objectives and policies of the Group are set out in note 37 to the consolidated financial statements. The Group is exposed to the operational risk in relation to the business of the Group. With the growth and expansion of operations, the potential risks to the Group's business increase as well. In order to identify, assess and control the risks that may create impediments to the Group's success, the Board has established the Risk Management Committee that covers each material aspect of the Group's operations, including market risk, finance risk, policy risk, legal risk, contract risk, credit risk, operational risk, security and compliance, etc. As the Group's risk management is a systematic project, each of the Group's departments is responsible for identifying and evaluating the risks relating to its area of operations. The Risk Management Committee is responsible for overseeing, assessing and reviewing the Group's risk management policy and supervising the performance on the Group's risk management.

Outbreak of COVID-19 also brought over a variety of risks, including credit risk, market risk, operational risk, etc. Major risks and impact arose from the COVID-19 pandemic are set out in the "Management Discussion and Analysis" section. The Risk Management Committee and the Board closely monitor the development of COVID-19 pandemic and take appropriate actions in time if necessary.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the Year and the past five financial years are set out on page 186.

SHARE CAPITAL

Details of movements in share capital of the Company during the Year are set out in note 31 to the consolidated financial statements.

RESERVES

Movements in the reserves of the Group during the Year ended 31 December 2021 are set out in the consolidated statement of changes in equity on page 108 to 109 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act of the Cayman Islands and the Company's articles of association, amounted to approximately HK$258.7 million (Previous Year: HK$295.9 million).

DIRECTORS

The Directors during the Year and up to the date of this report were:

Executive Directors
Mr. Siu Man Hei *(Chief Executive Officer)*
Mr. Yip Kwok Hung Kevin *(Chief Financial Officer)*
Mr. Ding Chunya
Ms. Kau Wai Fun

Non-Executive Directors
Mr. Xu Xingli *(Chairman)*
Mr. Ding Jingyong (appointed on 23 June 2021)
Mr. Huang Jianhong (resigned on 23 June 2021)

Independent Non-Executive Directors
Mr. Liu Yi
Mr. Sun Yansheng
Mr. Tsang Ho Ka Eugene

Mr. Ding Jingyong, Mr. Ding Chunya, Ms. Kau Wai Fun and Mr. Liu Yi, shall retire, and being eligible, offer themselves for re-election at the forthcoming AGM pursuant to the Company's articles of association.

Information regarding Directors' emoluments is set out in note 12 to the consolidated financial statements.

DIRECTORS' PROFILES

Details of the Directors' profile are set out in the section captioned "Profiles of Directors and Senior Management" of this report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and has duly reviewed the confirmation of independence of each of these Directors. The Company considers that all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company, each of the non-executive Directors and independent non-executive Directors have signed appointment letters with the Company. The appointment of each of the Directors is for a term of three years which may be terminated by either party by giving a written notice at least three months in advance.

None of the Directors who are proposed for re-election at the forthcoming AGM has a service contract with the Company, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the date of this annual report, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, are set out as follows:

Long position in the shares and underlying shares of the Company

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

Save as disclosed in the foregoing, as at the date of this report, having sufficient enquiry to and with the best knowledge of the Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the date of this report, as far as known to the Directors and chief executives of the Company, Shareholders (other than Directors and chief executives of the Company) who has an interest or a short position in the shares which would be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO, or would be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, or as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following substantial shareholders (other than the Directors and chief executives of the Company), were as follows:

Name of Shareholder	Long/ Short position	Capacity/ Nature of interest	Number of shares	Approximate percentage of shareholding in issued shares (Note 1)
Eagle Vision Development Limited	Long	Beneficial owner	598,500,000	52.44%
Peacemark Enterprises Limited (Note 2)	Long	Interest in controlled corporation	598,500,000	52.44%
Jangho Hong Kong Holdings Limited (Note 3)	Long	Interest in controlled corporation	598,500,000	52.44%
Jangho Co. (Note 4)	Long	Interest in controlled corporation	598,500,000	52.44%
北京江河源控股有限公司 (Beijing Jiangheyuan Holdings Co., Ltd.) (Note 5) (Note 6)	Long	Interest in controlled corporation	598,500,000	52.44%
Mr. Liu Zaiwang (Note 6)	Long	Interest in controlled corporation	598,500,000	52.44%
Ms. Fu Haixia (Note 7)	Long	Interest of spouse	598,500,000	52.44%
Sino Panda Group Limited	Long	Beneficial owner	256,500,000	22.47%
Mr. Leung Chi Tien Steve (Note 8)	Long	Interest in controlled corporation	256,500,000	22.47%
Ms. Chan Siu Wan (Note 9)	Long	Interest of spouse	256,500,000	22.47%

DIRECTORS' REPORT (CONTINUED)

Notes:

1. On the basis of 1,141,401,000 share capital in issue as at 31 December 2021.

2. Eagle Vision Development Limited ("**Eagle Vision**") is beneficially owned as to approximately 42.86% by Peacemark Enterprises Limited ("**Peacemark Enterprises**") and therefore Peacemark Enterprises is deemed to be interested in the shares held by Eagle Vision under the SFO.

3. Peachmark Enterprises is wholly and beneficially owned by Jangho Hong Kong Holdings Limited ("**Jangho HK**") and therefore Jangho HK is deemed to be interested in the shares indirectly held by Peacemark Enterprises through Eagle Vision under the SFO.

4. Jangho HK is wholly and beneficially owned by Jangho Co. and therefore Jangho Co. is deemed to be interested in the shares indirectly held by Jangho HK through Peacemark Enterprises and Eagle Vision under the SFO.

5. Ms. Fu Haixia ("**Ms. Fu**"), the spouse of Mr. Liu Zaiwang ("**Mr. Liu**"), is the sole director of Beijing Jiangheyuan Holdings Co., Ltd. ("**Jiangheyuan**"). The board of directors of Jangho Co. is controlled by Jiangheyuan and therefore Jiangheyuan is deemed to be interested in the shares indirectly held by Jangho Co. through Jangho HK, Peacemark Enterprises and Eagle Vision under the SFO.

6. Jangho Co. is beneficially owned as to approximately 27.35% by Jiangheyuan (a company which is 85% and 15% beneficially owned by Mr. Liu and his spouse Ms. Fu, respectively) and beneficially owned as to approximately 25.07% by Mr. Liu and therefore, Mr. Liu is deemed to be interested in the shares indirectly held by Jangho Co. through Jangho HK, Peacemark Enterprises and Eagle Vision under the SFO.

7. Ms. Fu is the spouse of Mr. Liu and is therefore deemed to be interested in the shares that Mr. Liu is interested in under the SFO.

8. Sino Panda Group Limited ("**Sino Panda**") is wholly and beneficially owned by Mr. Leung Chi Tien Steve ("**Mr. Steve Leung**") and therefore Mr. Steve Leung is deemed to be interested in the shares held by Sino Panda under the SFO.

9. Ms. Chan Siu Wan is the spouse of Mr. Steve Leung and is therefore deemed to be interested in the shares that Mr. Steve Leung is interested in under the SFO.

Save as disclosed above, the Directors and chief executives of the Company are not aware of any Shareholders (other than the Directors and chief executives of the Company) who, as at the date of this report, has an interest or a short position in the shares which will be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or would be, directly or indirectly, interested in 5% or more of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

PRE-IPO SHARE OPTION SCHEME

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

The subscription price for any ordinary share under the Pre-IPO Share Option Scheme shall be an amount equal to 50% discount to the mid-point of the offer price of the initial public offering of the Company in 2018, i.e. HK44 cents.

DIRECTORS' REPORT (CONTINUED)

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

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

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

The shares which may be issued upon exercise of all options to be granted under the Pre-IPO Share Option Scheme shall not exceed 10% of the Shares in issue as at the Listing Date (i.e. 114,000,000 shares, representing approximately 10.0% of the total number of issued shares of the Company as at the date of this report).

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

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

Category of grantees	**Date of Grant**	**As at 1 January 2021**	**Exercised during the Year (Note 1)**	**Forfeited during the Year (Note 2)**	**As at 31 December 2021**
Executive Director					
Mr. Siu Man Hei	15/06/2018	10,032,000	–	–	10,032,000
Senior management and other employees	15/06/2018	19,367,400	(483,000)	(100,800)	18,783,600
		29,399,400	(483,000)	(100,800)	28,815,600

DIRECTORS' REPORT (CONTINUED)

Notes:

1. 483,000 ordinary shares of the Company were issued to an employee of the Group at the exercise price of HK$0.44 per share on 22 November 2021. The Group received a total consideration of HK$212,520 for the issue. The weighted average closing price of the shares immediately before the date on which the option was exercised was HK$0.83.

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

3. For further details, please refer to note 39 to the consolidated financial statements.

Except as set out above, no other options were outstanding, granted, exercised, forfeited, cancelled or lapsed under the Pre-IPO Share Option Scheme during the Year.

SHARE OPTION SCHEME

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

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

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group;

(b) any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group;

(c) a Director or proposed Director (including an independent non-executive director) of any member of the Group;

(d) a direct or indirect shareholder of any member of the Group;

(e) a supplier of goods or services to any member of the Group;

(f) a client, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;

(g) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and

(h) an associate (as defined in the Listing Rules) of any of the persons referred to in paragraphs (a) to (g) above.

DIRECTORS' REPORT (CONTINUED)

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

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the Listing Date (i.e. 114,000,000 shares, representing approximately 10.0% of the total number of issued shares of the Company as at the date of this report). The Company may seek approval of its shareholders in general meeting for refreshing such 10% limit.

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

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

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

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

The Share Option Scheme shall be valid and effective for a period of 10 years commencing from 11 June 2018. No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the Year. No share options were outstanding under the Share Option Scheme as at the beginning or end of the Year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the Directors, or their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such right during the Year.

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

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme", no equity-linked agreements were entered by the Group or existed during the Year.

CONNECTED TRANSACTIONS

The Group has conducted the following transactions with the connected persons of the Company. All of such transactions constituted continuing connected transactions under Chapter 14A of the Listing Rules.

Continuing Connected Transactions

On 24 June 2021, the Company (for itself and on behalf of its subsidiaries) entered into a framework agreement (the "**Jangho Co. Framework Agreement**") with Jangho Co., (for itself and on behalf of its subsidiaries, but excluding members of the Group) and a framework agreement (the "**Jangho Chuangxin Framework Agreement**") with 江河創新地產股份有限公司 (Jangho Chuangxin Real Estate Co., Ltd*) ("**Jangho Chuangxin**") (for itself and on behalf of its subsidiaries)(collectively referred to as the "**Framework Agreements**"), pursuant to which the Company agreed to provide or procure any of its subsidiaries to provide, interior design services and interior decorating and furnishing services to Jangho Co., Jangho Chuangxin, and/or their respective subsidiaries for a term from 30 August 2021 to 31 December 2023.

The proposed annual caps for the transactions contemplated under the Framework Agreements for the three years ending 31 December 2023 are RMB32,000,000, RMB32,000,000 and RMB32,000,000 respectively (equivalent to approximately HK$39,000,000, HK$39,000,000 and HK$39,000,000, respectively), with the amount of RMB32,000,000 divided as to RMB18,000,000 (equivalent to approximately HK$22,000,000) for the Jangho Co. Framework Agreement and as to RMB14,000,000 (equivalent to approximately HK$17,000,000) for the Jangho Chuangxin Framework Agreement. During the Year, the aggregate transaction amounts of the Jangho Co. Framework Agreement and Jangho Chuangxin Framework Agreement were approximately RMB6,093,000 (equivalent to approximately HK$7,344,000) and RMB26,000 (equivalent to approximately HK$32,000), respectively.

* *For identification purpose only*

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

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

Therefore, the transactions contemplated under each of the Jangho Co. Framework Agreement and Jangho Chuangxin Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As each of the applicable percentage ratios in relation to the annual caps for each of the Jangho Co. Framework Agreement and Jangho Chuangxin Framework Agreement is more than 0.1% but less than 5%, the continuing connected transactions under each of the Jangho Co. Framework Agreement and Jangho Chuangxin Framework Agreement are subject to the reporting, annual review and announcement requirements but are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Framework Agreements relate to the provision of interior design services and interior decorating and furnishing services by the Group to Mr. Liu's associates and are entered into within a 12-month period, the Company has aggregated the continuing connected transactions under the Framework Agreements and treat them as if they were one transaction.

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

Confirmation from the Directors

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions and have confirmed that the above continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements governing them on terms that are fair and reasonable and are in the interests of the shareholders of the Company as a whole.

BDO Limited, the independent auditor of the Company, has issued a letter to the Board under Rule 14A.56 of the Listing Rules, confirming that nothing has come to their attention that causes them to believe the continuing connected transactions disclosed in this report: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the relevant annual caps.

A copy of the independent auditor's letter has been provided by the Company to the Stock Exchange.

The Board confirmed that the Company has complied with the requirements of the Listing Rules in relation to the disclosure of the aforesaid continuing connected transactions.

Save as disclosed above, other significant related party transactions as disclosed in note 35 to the consolidated financial statements entered into by the Group during the Year do not constitute connected transactions under the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed in the paragraph headed "CONNECTED TRANSACTIONS" above and in note 35 to the consolidated financial statements, no other transactions, arrangements and contracts of significance, to which the Company of any of its subsidiaries was a party and in which a Director of a connected entity of a Director had a material interest whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONTRACTS OF SIGNIFICANCE BETWEEN THE GROUP AND THE CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE SUBSIDIARIES

For particulars of the contracts of significance between the Group and the controlling shareholders or their respective subsidiaries or the contracts of significance for the provision of services to the Group by the controlling shareholders of their respective subsidiaries, please see "CONNECTED TRANSACTIONS" and note 35 to the consolidated financial statements.

MANAGEMENT CONTRACTS

Save for service contracts with the Directors, no contract by which a person undertakes the management and administration of the whole or any substantial part of the Company's business was entered or subsisted during the Year.

COMPETING BUSINESS

During the Year, none of the Directors or the controlling shareholders of the Company and their respective associates had any interest in a business, apart from the business of the Group, which competes or is likely to compete, whether directly or indirectly, with the business of the Group or has any other conflict of interest with the Group which would be required to be disclosed under Rule 8.10(2) of the Listing Rules.

NON-COMPETITION UNDERTAKING

In order to avoid any possible future competition between the Group and each of the controlling shareholders of the Company, each of the controlling shareholders as covenantors executed a deed of non-competition dated 11 June 2018 (the "**Deed of Non-Competition**") in favour of the Company (for itself and as trustee for its subsidiaries), pursuant to which, each of the covenantors confirms, inter alia, that other than its/his/her interests in the Company, none of them is engaged in any business which, directly or indirectly, competes or may compete with the business of the Group, or has any interests in such business. Each of the covenantors also gave certain non-competition undertakings under the Deed of Non-Competition as set out in the paragraph headed "Relationship with Controlling Shareholders-Deed of Non-Competition" in the Prospectus. Each of the controlling shareholders had confirmed to the Company of their compliance with the Deed of Non-Competition provided to the Company during the Year. The Board (including the independent non-executive Directors) has reviewed and confirmed that each of the controlling shareholders of the Company had complied with the Deed of Non-Competition.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the articles of association of the Company, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty of supposed duty, in their respective offices or trusts.

The Company has arranged appropriate directors and officers liability in insurance coverage for its Directors and officers.

EMOLUMENT POLICY

The emolument policy of the employees of the Group was set up by the Remuneration Committee. The Group offers remuneration, discretionary bonus and share options will also be granted to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides external training programmes which are complementary to certain job functions. The emolument of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market trend.

RETIREMENT BENEFIT SCHEME

Details of the Group's retirement benefit schemes are set out in note 40 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

SUFFICIENCY OF PUBLIC FLOAT

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

CHARITABLE DONATIONS

Donations made by the Company during the Year for charity amounted to nil (Previous Year: nil).

MAJOR CUSTOMERS, SUBCONTRACTORS AND SUPPLIERS

For the Year, the aggregate revenue attributable to the five largest customers was less than 30% of the total revenue of the Group. The aggregate purchases attributable to the five largest suppliers of the Group during the Year was less than 30% of the total purchases of the Group.

Other than disclosed above, at no time during the Year did a Director, a close associate of a Director or a Shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

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 has complied with the code provisions and certain recommended best practices set out in the CG Code. Details of the corporate governance report are set out on pages 34 to 49 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

There was 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 report.

AUDITOR

On 29 June 2021, Messrs. Deloitte Touche Tohmatsu ("**Deloitte**") resigned as the external auditor of the Company. On 23 July 2021, BDO Limited has been appointed as the external auditor of the Company to fill the vacancy following the resignation of Deloitte and to hold office until conclusion of the next AGM of the Company.

The Group's consolidated financial statements and the related notes thereto for the Year as set out in this annual report have been audited by BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. A resolution to re-appoint BDO Limited as our external auditor will be submitted for Shareholders' approval at forthcoming AGM.

Save as disclosed above, there have been no other changes of external auditor for the preceding three years.

On behalf of the Board
Steve Leung Design Group Limited
XU Xingli
Chairman

Hong Kong, 21 March 2022

INDEPENDENT AUDITOR'S REPORT

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Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

25th Floor Wing On Centre
111 Connaught Road Central
Hong Kong

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

To the Shareholders of Steve Leung Design Group Limited
梁志天設計集團有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Steve Leung Design Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 106 to 185, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition on service contracts from interior design services, interior decorating and furnishing services and product design services	
We identified the revenue recognition on service contracts from interior design services, interior decorating and furnishing services and product design services as a key audit matter due to the significant judgments exercised by the management in determining the total contract costs and contract costs incurred for work performed to date. As set out in note 4 to the consolidated financial statements, the Group recognises service revenue by reference to the progress towards complete satisfaction of the relevant performance obligation using input method, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Accordingly, revenue recognition on service contracts involves a significant degree of management estimates and judgment, with estimates being made to assess the total contract costs and stage of completion of the contract. The details of the accounting policies and estimation uncertainty in relation to revenue recognition on service contracts from interior design services, interior decorating and furnishing services and product design services are set out in notes 3 and 4 to the consolidated financial statements. As disclosed in note 5 to the consolidated financial statements, the service revenue amounted to HK$361,212,000 for the year ended 31 December 2021.	Our procedures in relation to revenue recognition on service contracts from interior design services, interior decorating and furnishing services and product design services included: • Understanding the management's process relating to the estimation of total contract costs and recording of costs; • Obtaining an understanding from the Group's project team including project managers, about the contract terms, performance and status of selected contracts to evaluate the reasonableness of the basis of estimation of the total contract costs, and contract costs incurred for work performed to date; • Comparing the staff costs incurred on selected contracts extracted from the timesheet recording system to the estimated total contract costs with the percentage of completion of individual contracts and evaluating the reasonableness of the estimated total contract costs; and • Performing comparisons between the percentage of completion and the percentage of progress billing on selected contracts to identify and investigate any differences by obtaining an understanding from the Group's project team and checking correspondence with customers of the Group.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Estimated provision of expected credit losses ("ECL") for trade receivables and contract assets	
We identified the estimated provision of ECL for trade receivables and contract assets as a key audit matter due to their significance to the consolidated financial statements as a whole and the use of judgment and estimates by the management in determining the allowance for credit losses and write-offs. As shown in notes 23 and 25 to the consolidated financial statements, as at 31 December 2021, the carrying amounts of trade receivables and contract assets are HK$172,591,000 (net of allowance for credit losses of HK$65,691,000) and HK$65,983,000 (net of allowance for credit losses of HK$18,474,000), respectively. As disclosed in note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables and contract assets individually for certain debtors with significant balances and/or collectively through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors based on ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. In addition, trade receivables and contract assets that are credit-impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. As disclosed in note 37 to the consolidated financial statements, a total net impairment losses of HK$40,165,000 in respect of the trade receivables and contract assets was recognised in profit or loss by the Group for the year ended 31 December 2021.	Our procedures in relation to the estimated provision of ECL for trade receivables and contract assets included: • Obtaining an understanding of key process on how the management estimates the ECL of trade receivables and contract assets including the individual assessment on significant balances and the credit-impaired trade receivables and contract assets; • Testing the integrity of information used by management to develop the internal credit rating, including trade receivables and contract assets ageing analysis as at 31 December 2021, on a sample basis, by comparing individual items in the analysis with the relevant invoices/progress certificates and/or other supporting documents; • Challenging management's basis and judgment in determining credit loss allowance on trade receivables and contract assets as at 31 December 2021, including their identification of credit-impaired trade receivables and contract assets, the reasonableness of management's grouping of the remaining trade debtors into different categories, and the basis of estimated loss rates applied in each category (with reference to historical default rates and forward-looking information); and • Involving our internal valuation specialist to evaluate the appropriateness of the valuation methodology adopted by the management of the Group and the reasonableness of assumptions, including loss rates and forward-looking information applied by the management of the Group.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 29 March 2021.

BDO Limited
Certified Public Accountants

LAU Kin Tat, Terry
Practising Certificate Number: P07676

Hong Kong, 21 March 2022

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	5	**455,035**	432,974
Cost of sales		**(266,139)**	(245,036)
Gross profit		**188,896**	187,938
Other gains and losses	7	**5,579**	7,019
Impairment losses on trade receivables and contract assets under expected credit loss model		**(40,165)**	(23,723)
Other income	8	**7,184**	16,396
Administrative expenses		**(151,943)**	(125,559)
Finance costs	9	**(4,010)**	(4,385)
Profit before taxation		**5,541**	57,686
Income tax expense	10	**(3,893)**	(23,052)
Profit for the year	11	**1,648**	34,634
Other comprehensive income that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**8,819**	14,527
Total comprehensive income for the year		**10,467**	49,161
Profit (loss) for the year attributable to:			
– Owners of the Company		**2,940**	33,531
– Non-controlling interests		**(1,292)**	1,103
		1,648	34,634
Total comprehensive income (expense) for the year attributable to:			
– Owners of the Company		**11,559**	47,887
– Non-controlling interests		**(1,092)**	1,274
		10,467	49,161
Earnings per share (expressed in Hong Kong cents)	15		
– Basic		**0.26**	2.94
– Diluted		**0.26**	2.90

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current Assets			
Property, plant and equipment	16	**25,655**	31,636
Right-of-use assets	17	**44,128**	57,896
Intangible assets	18	**2,665**	3,065
Goodwill	19	**1,319**	1,278
Deposits paid for acquisition of property, plant and equipment	24	**347**	1,572
Rental deposits	24	**6,595**	5,235
Deferred tax assets	20	**32,241**	25,854
		112,950	126,536
Current Assets			
Inventories	21	**1,008**	1,158
Financial assets at fair value through profit or loss	22	**30,300**	–
Trade receivables	23	**172,591**	219,898
Other receivables, deposits and prepayments	24	**19,748**	29,064
Contract assets	25	**65,983**	50,525
Tax recoverable		**43**	264
Pledged bank deposits	26	**558**	7,339
Bank balances and cash	26	**246,661**	275,263
		536,892	583,511
Current Liabilities			
Trade payables	27	**36,996**	32,763
Other payables and accrued charges	27	**27,177**	44,697
Bank borrowings	28	**20,000**	26,063
Lease liabilities	29	**24,293**	24,721
Contract liabilities	30	**25,353**	18,336
Tax liabilities		**16,001**	25,401
		149,820	171,981
Net Current Assets		**387,072**	411,530
Total Assets less Current Liabilities		**500,022**	538,066
Capital and Reserves			
Share capital	31	**11,414**	11,409
Reserves		**455,502**	476,392
Equity attributable to owners of the Company		**466,916**	487,801
Non-controlling interests		**10,968**	12,060
Total Equity		**477,884**	499,861
Non-current Liabilities			
Deferred tax liabilities	20	**228**	1,959
Lease liabilities	29	**21,910**	36,246
		22,138	38,205
		500,022	538,066

The consolidated financial statements on pages 106 to 185 were approved and authorised for issue by the Board of Directors on 21 March 2022 and are signed on its behalf by:

SIU MAN HEI
DIRECTOR

YIP KWOK HUNG KEVIN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Equity attributable to owners of the Company										
	Share capital HK$'000	**Share premium** HK$'000 (Note (a))	**Merger reserve** HK$'000 (Note (b))	**Statutory reserve** HK$'000 (Note (c))	**Exchange reserve** HK$'000	**Long-term employee benefit reserve** HK$'000 (Note (d))	**Shareholder's contribution** HK$'000 (Note (e))	**Retained profits** HK$'000	**Sub-total** HK$'000	**Non-controlling interest** HK$'000	**Total** HK$'000
At 1 January 2020	11,400	257,100	(112,360)	4,695	(17,254)	9,212	43,119	256,852	452,764	10,786	463,550
Profit for the year	–	–	–	–	–	–	–	33,531	33,531	1,103	34,634
Exchange difference arising on translation of foreign operations	–	–	–	–	14,356	–	–	–	14,356	171	14,527
Total comprehensive income for the year	–	–	–	–	14,356	–	–	33,531	47,887	1,274	49,161
Transfer of reserves	–	–	–	1,624	–	–	–	(1,624)	–	–	–
Dividend recognised as distribution (note 14)	–	–	–	–	–	–	–	(14,821)	(14,821)	–	(14,821)
Recognition of equity settled long-term employee benefits	–	–	–	–	–	1,585	–	–	1,585	–	1,585
Shares issued upon exercise of share options under share option scheme	9	876	–	–	–	(499)	–	–	386	–	386
At 31 December 2020	11,409	257,976	(112,360)	6,319	(2,898)	10,298	43,119	273,938	487,801	12,060	499,861
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,940**	**2,940**	**(1,292)**	**1,648**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**8,619**	**–**	**–**	**–**	**8,619**	**200**	**8,819**
Total comprehensive income (expense) for the year	**–**	**–**	**–**	**–**	**8,619**	**–**	**–**	**2,940**	**11,559**	**(1,092)**	**10,467**
Transfer of reserves	**–**	**–**	**–**	**852**	**–**	**–**	**–**	**(852)**	**–**	**–**	**–**
Dividend recognised as distribution (note 14)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(34,228)**	**(34,228)**	**–**	**(34,228)**
Recognition of equity settled long-term employee benefits	**–**	**–**	**–**	**–**	**–**	**1,572**	**–**	**–**	**1,572**	**–**	**1,572**
Forfeited share options	**–**	**–**	**–**	**–**	**–**	**(423)**	**–**	**423**	**–**	**–**	**–**
Shares issued upon exercise of share options under share option scheme	**5**	**248**	**–**	**–**	**–**	**(41)**	**–**	**–**	**212**	**–**	**212**
At 31 December 2021	**11,414**	**258,224**	**(112,360)**	**7,171**	**5,721**	**11,406**	**43,119**	**242,221**	**466,916**	**10,968**	**477,884**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2021

Notes:

(a) Share premium included

(i) the difference between the nominal amount of the share capital issued by Steve Leung Design Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") and the aggregate of the nominal amount of the share capital and other reserves of SLD Group Holdings Limited, a subsidiary which was incorporated pursuant to the group reorganisation (the "**Reorganisation**") of the Group in connection with the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as set out in the section headed "History, Development and Reorganisation" in the prospectus of the Company dated 22 June 2018 (the "**Prospectus**"); and

(ii) the share premium arising from the issuance of new shares upon the exercise of share options under share option scheme.

(b) Merger reserve represents the difference between the amount of share capital and share premium of the Company issued, and the share capital of Steve Leung Designers Limited ("**SLD**") exchanged in connection with the Reorganisation.

(c) The articles of association of the Company's subsidiaries established in the People's Republic of China (the "**PRC**") state that they may make an appropriation of 10% of their profit for the year (prepared under generally accepted accounting principles in the PRC) each year to the statutory reserve until the balance reaches 50% of their paid-in capital. The statutory reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of their production and operation.

(d) The amount represents the recognition of the equity settled long-term employee benefit scheme of a subsidiary of the Company in respect of "Share-linked Bonus and Share Conversion Scheme" (the "**Conversion Scheme**") and share option scheme, details of which are set out in notes 38 and 39, respectively.

(e) The amount represents the contribution from a shareholder pursuant to the sale and purchase agreement of SLD Acquisition as defined in the section headed "History, Development and Reorganisation" in the Prospectus. The seller (who is also the non-controlling shareholder of SLD) had guaranteed a certain level of profit of SLD for the three years ended 31 December 2016 and the Group will receive from the seller 50% of the shortfall of actual profit generated by SLD with the guarantee profit as contribution. An approximate amount of HK$43,119,000 was confirmed by shareholders of SLD and the amount was received and recognised by the Group as a shareholder 's contribution on 24 November 2017.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	NOTES	**2021** **HK$'000**	2020 HK$'000
Operating activities			
Profit before taxation		**5,541**	57,686
Adjustments for:			
Amortisation of intangible assets		**482**	744
Depreciation of property, plant and equipment		**13,730**	10,016
Depreciation of right-of-use assets		**26,056**	27,104
Expense recognised in respect of Conversion Scheme and share option scheme	39	**1,572**	1,585
Loss on disposals of property, plant and equipment		**56**	575
Loss on disposals of intangible assets		**10**	126
Fair value gain on financial assets at fair value through profit or loss		**(309)**	–
Gain on lease modification		**(2,145)**	–
Finance costs		**4,010**	4,385
Impairment losses on trade receivables under expected credit loss model		**29,743**	16,444
Impairment losses on contract assets under expected credit loss model		**10,422**	7,279
Interest income		**(953)**	(5,078)
Operating cash flows before movements in working capital		**88,215**	120,866
Decrease in inventories		**150**	4
Decrease (increase) in trade receivables		**21,443**	(31,979)
Decrease (increase) in other receivables, deposits and prepayments		**9,316**	(4,040)
Increase in contract assets		**(24,369)**	(3,046)
Increase (decrease) in trade payables		**4,233**	(4,920)
Decrease in other payables and accrued charges		**(17,520)**	(9,416)
Increase in contract liabilities		**6,017**	3,570
Net cash generated from operations		**87,485**	71,039
Income tax paid		**(20,652)**	(14,903)
Net cash from operating activities		**66,833**	56,136

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Investing activities		
Additions to note receivables	–	(60,000)
Additions to financial assets at fair value through profit or loss	(79,851)	–
Additions to property, plant and equipment	(5,876)	(12,837)
Payments for rental deposits	(1,360)	–
Placement of pledged bank deposits	(550)	(7,688)
Additions to intangible assets	–	(207)
Repayment from note receivables	–	60,000
Interest received	953	5,078
Withdrawal of pledged bank deposits	7,331	3,440
Proceeds from disposal of property, plant and equipment	50	45
Proceeds from disposal of financial assets at fair value through profit or loss	49,972	–
Net cash used in investing activities	(29,331)	(12,169)
Financing activities		
Repayments of bank borrowings	(146,908)	(362,473)
Repayment of lease liabilities	(24,963)	(23,224)
Dividend paid	(34,228)	(14,821)
Finance costs paid for lease liabilities	(2,289)	(2,846)
Interest paid	(1,721)	(1,539)
New bank borrowings raised	140,000	354,697
Net proceeds from issuance of shares upon exercise of share options	212	386
Net cash used in financing activities	(69,897)	(49,820)
Net decrease in cash and cash equivalents	(32,395)	(5,853)
Cash and cash equivalents at beginning of year	275,263	273,595
Effect of foreign exchange rate changes	3,793	7,521
Cash and cash equivalents at end of year, represented by bank balances and cash	246,661	275,263

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. 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 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 ("**BVI**"), whereas the directors of the Company consider that the Company's ultimate holding company is Jangho Group Co., Ltd., a company incorporated in the PRC with its shares listed on the Shanghai Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company and provides corporate management services. The principal activities of the Company's subsidiaries are set out in note 41.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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 Hong Kong Institute of Certified Public Accountants ("**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, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 *Lease* ("**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.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 Impacts on application of amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16, *interest rate benchmark reform – Phase 2*

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

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued; 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.

2.2 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.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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:

HKFRS17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined

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

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by 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 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, as explained in the accounting policies set out below.

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 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*.

3.2 Significant accounting policies

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Basis of Consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's Interests in Existing Subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Business Combinations

Acquisitions of businesses, other than business combination under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (*replaced by the Conceptual Framework for Financial Reporting* issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low-value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Business Combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer 's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Revenue from Contracts with Customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from Contracts with Customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- 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.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 *Financial Instrument* ("**HKFRS 9**"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with Multiple Performance Obligations (Including Allocation of Transaction Price)

For contracts that contain more than one performance obligations (provision of design services and sales of goods), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue From Contracts with Customers (Continued)

Over Time Revenue Recognition: Measurement of Progress Towards Complete Satisfaction of a Performance Obligation

Input Method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Service revenue from interior design services, interior decorating and furnishing services and product design services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation using input method 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.

License fee revenue for granting the right to use the Group's intellectual property is recognised when the performance obligation is satisfied at a point in time at which the license is granted to the customer.

Trading income is recognised at a point in time when the customers obtains control of the distinct good or service.

Lease

Definition of a Lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Lease (Continued)

The Group as a Lessee

Allocation of Consideration to Components of a Contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-Term Leases and Leases of Low-Value Assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-Of-Use Assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Lease (Continued)

The Group as a Lessee (Continued)

Refundable Rental Deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease Liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Lease (Continued)

The Group as a Lessee (Continued)

Lease Liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease Modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

COVID-19-Related Rent Concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- 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 if the changes are 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.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government Grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Share-Based Payments

Equity-Settled Share-Based Payment Transactions

Share-Based Payments Arrangements

Where a shareholder transferred the equity instruments of a group entity to an employee in return for service provided to the Group, the transaction is accounted for as equity-settled share-based payment transaction of the Group. The fair value of services received is determined by reference to the fair value of the equity instruments at the grant date. It is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (i.e. long-term employee benefit reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to long-term employee benefit reserve.

If new equity instruments are granted to the employee and, on the date when those new equity instruments are granted, the Group identifies the new equity instruments granted as replacement equity instruments for the original grant of equity instruments which are cancelled or settled during the vesting period, the Group accounts for the granting of replacement equity instruments as a modification of the original grant of equity instruments. The incremental fair value granted is the difference between the fair value of the replacement equity instruments and the net fair value of the cancelled equity instruments, at the date the replacement equity instruments are granted. The incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognised over the remainder of the original vesting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Share-Based Payments (Continued)

Equity-Settled Share-Based Payment Transactions (Continued)

Share Options Granted to Employees

Equity-settled share-based payments to employees providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (long-term employee benefit reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to long-term employee benefit reserve.

When share options are exercised, the amount previously recognised in long-term employee benefit reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in long-term employee benefit reserve will be transferred to retained profits.

Short-Term and Other Long-Term Employee Benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employee rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting period. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Retirement Benefit Costs

Payments to the Mandatory Provident Fund Scheme (the "**MPF Scheme**") and state-managed retirement benefit schemes are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, Plant and Equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Intangible Assets

Intangible Assets Acquired Separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible Assets Acquired in a Business Combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with indefinite lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on Property, Plant and Equipment, Right-of-Use Assets and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Impairment on Property, Plant and Equipment, Right-of-Use Assets and Intangible Assets Other Than Goodwill (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 *Revenue from Contracts with Customers* ("**HKFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets

Classification and Subsequent Measurement of Financial Assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**").

Amortised Cost and Interest Income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVTOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Impairment of Financial Assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets and other assets which are subject to impairment assessment under HKFRS 9 (including rental deposits, trade receivables, certain other receivables, bank balances, pledged bank deposits and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for certain debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant Increase in Credit Risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Impairment of Financial Assets (Continued)

(i) Significant Increase in Credit Risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Impairment of Financial Assets (Continued)

(ii) Definition of Default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-Impaired Financial Assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-Off Policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Impairment of Financial Assets (Continued)

(v) Measurement and Recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Nature of financial instruments (i.e. the Group's trade receivables and certain other receivables are each assessed as a separate group.);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where applicable.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial Instruments (Continued)

Financial Assets (Continued)

Derecognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial Liabilities and Equity

Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial Liabilities at Amortised Cost

Financial liabilities (including trade payables, other payables and accrued charges, and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Revenue Recognition on Service Contracts from Interior Design Services, Interior Decorating and Furnishing Services and Product Design Services

As detailed in notes 3 and 5, the Group recognised revenue on service contracts from interior design services, interior decorating and furnishing services and product design services by reference to the progress towards complete satisfaction of the relevant performance obligation using input method, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The management regularly discusses with the project team in order to review and revise the estimates of the total contract costs based on estimated manhours and stage of completion of the work performed to date with reference to the performance and status of corresponding service contract work. Accordingly, revenue recognition on service contracts involves a significant degree of management estimates and judgment, with estimates being made to assess the total contract costs and contract costs incurred for work performed to date.

The management reviews and revises the estimates of total contract costs for the design services and contract costs incurred for work performed to date as the contract progresses, the actual outcome of the contract in terms of its total costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

Estimated Provision of ECL for Trade Receivables and Contract Assets

Trade receivables and contract assets with significant balances or credit-impaired are assessed for ECL individually. In addition, for trade receivables and contract assets which are individually insignificant or when the Group does not have reasonable and supportable information that is available without undue cost or effort to measure ECL on individual basis, collective assessment is performed by grouping debtors that have similar loss patterns, after considering internal credit ratings of trade debtors based on ageing, repayment history and/or past due status of respective trade receivables.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Estimated Provision of ECL for Trade Receivables and Contract Assets (Continued)

The Group has considered all the possible default events over the expected life of the trade receivables and contract assets and assessed individually for certain debtors with significant balances and/or collectively through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors based on ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is reasonable and supportable available without undue costs or effort. In addition, trade receivables and contract assets that are credit impaired are assessed for ECL individually. The loss allowance amount of the credit impaired trade receivables and contract assets is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses.

The provision of ECL is sensitive to changes in estimates. The information about the Group's assessment of ECL and the details of the Group's trade receivables and contract assets are disclosed in notes 23, 25 and 37, respectively.

5. 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 **HK$'000**	2020 HK$'000
Service revenue	**361,212**	331,671
License fee revenue	**5,729**	2,237
Trading income	**88,094**	99,066
	455,035	432,974

5. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2021

	Interior design services HK$'000	Interior decorating and furnishing services HK$'000	Product design services HK$'000	Total HK$'000
Geographical markets				
Hong Kong	26,577	3,561	86	30,224
PRC	281,917	102,601	5,408	389,926
Other regions	30,278	2,781	1,826	34,885
	338,772	108,943	7,320	455,035
Timing of revenue recognition				
Over time				
Service revenue	338,772	20,849	1,591	361,212
At point in time				
License fee revenue	–	–	5,729	5,729
Trading income	–	88,094	–	88,094
	–	88,094	5,729	93,823
	338,772	108,943	7,320	455,035

5. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers (Continued)

For the year ended 31 December 2020

	Interior design services HK$'000	Interior decorating and furnishing services HK$'000	Product design services HK$'000	Total HK$'000
Geographical markets				
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
	314,062	116,238	2,674	432,974
Timing of revenue recognition				
Over time				
Service revenue	314,062	17,172	437	331,671
At point in time				
License fee revenue	–	–	2,237	2,237
Trading income	–	99,066	–	99,066
	–	99,066	2,237	101,303
	314,062	116,238	2,674	432,974

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

5. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers (Continued)

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 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 been transferred, at which time the goods have been delivered to the specific location and confirmed by the 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, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. 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 HK$'000	Interior decorating and furnishing services HK$'000	Product design services HK$'000	Total HK$'000
For the year ended 31 December 2021				
Revenue				
Segment revenue from external customers	**338,772**	**108,943**	**7,320**	**455,035**
Results				
Segment results	**4,462**	**12,979**	**4,600**	**22,041**
Unallocated expenses (Note 1)				**(13,752)**
Changes in fair value of financial assets at FVTPL				**309**
Interest income				**953**
Finance costs				**(4,010)**
Profit before taxation				**5,541**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

6. OPERATING SEGMENTS (CONTINUED)

Segment revenue and results (Continued)

	Interior design services HK$'000	Interior decorating and furnishing services HK$'000	Product design services HK$'000	Total HK$'000
For the year ended 31 December 2020				
Revenue				
Segment revenue from external customers	314,062	116,238	2,674	432,974
Results				
Segment results	47,386	19,674	1,388	68,448
Unallocated expenses (Note 1)				(11,455)
Interest income				5,078
Finance costs				(4,385)
Profit before taxation				57,686

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.

6. OPERATING SEGMENTS (CONTINUED)

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**
For the year ended 31 December 2021			
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 ECL model	**28,105**	**1,638**	**29,743**
Impairment losses on contract assets under ECL model	**10,051**	**371**	**10,422**

	Interior design services HK$'000	Interior decorating and furnishing services HK$'000	Total HK$'000
For the year ended 31 December 2020			
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	7,054	225	7,279

6. OPERATING SEGMENTS (CONTINUED)

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 HK$'000	2020 HK$'000
External revenue:		
Hong Kong	**30,224**	22,646
PRC	**389,926**	384,843
Other regions	**34,885**	25,485
	455,035	432,974

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 HK$'000	2020 HK$'000
PRC	**53,973**	65,698
Hong Kong	**26,736**	34,984
	80,709	100,682

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

7. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
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)
	5,579	7,019

8. OTHER INCOME

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

Notes:

1. The grants were granted by the relevant 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 tax authorities in the form of profits tax rebates in Tianjin, the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on bank borrowings	**1,721**	1,539
Interest on lease liabilities	**2,289**	2,846
	4,010	4,385

10. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current tax:		
Hong Kong Profits Tax	**118**	85
PRC Enterprise Income Tax	**11,319**	28,741
	11,437	28,826
Over (under) provision in prior years:		
Hong Kong Profits Tax	**(30)**	(828)
PRC Enterprise Income Tax	**207**	–
	177	(828)
Deferred taxation (note 20)	**(7,721)**	(4,946)
	3,893	23,052

10. INCOME TAX EXPENSE (CONTINUED)

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 of the Company 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:

	2021 **HK$'000**	2020 HK$'000
Profit before taxation	**5,541**	57,686
Tax at applicable tax rate of 16.5% (2020: 16.5%)	**914**	9,518
Tax effect of income not taxable for tax purpose	**(2,879)**	(2,464)
Tax effect of expenses not deductible for tax purpose	**563**	4,161
Tax effect of tax losses not recognised	**2,525**	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	**2,593**	8,405
Under (over) provision in prior years	**177**	(828)
Income tax expense for the year	**3,893**	23,052

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2021 HK$'000	2020 HK$'000
Amortisation of intangible assets		
– included in cost of sales	**242**	423
– included in administrative expenses	**240**	321
	482	744
COVID-19-related rent concessions	**–**	106
Auditors' 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 (Note):		
Directors' emoluments (note 12)	**12,459**	11,054
Other staffs		
– 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 (note 38) and share option scheme (note 39)	**1,048**	1,061
	221,222	177,644
	233,681	188,698

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 Government and concession on retirement benefits scheme contributions granted by the relevant PRC government authorities respectively, have been offset against the staff costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The executive directors of the Company were appointed on 21 April 2017, and the non-executive directors and independent non-executive directors were appointed on 21 April 2017 and 11 June 2018 respectively. Details of the emoluments paid or payable to the directors of the Company by the Group during the current and prior years are as follows:

		Other emoluments				
	Directors' fees HK$'000	Basic salaries allowances and other benefits HK$'000	Discretionary bonus HK$'000 (Note (c))	Retirement benefits scheme contributions HK$'000	Expense recognised in respect of Conversion Scheme and share option scheme HK$'000 (notes 38 and 39)	Total HK$'000
For the year ended 31 December 2021						
Executive directors:						
Siu Man Hei (Note (a))	–	3,600	2,267	180	524	6,571
Yip Kwok Hung Kevin (Note (b))	–	1,500	1,475	75	–	3,050
Ding Chunya	–	511	181	102	–	794
Kau Wai Fun	–	1,129	139	56	–	1,324
Non-executive directors:						
Xu Xingli	180	–	–	–	–	180
Huang Jianhong (Note (d))	–	–	–	–	–	–
Ding Jingyong (Note (e))	–	–	–	–	–	–
Independent non-executive directors:						
Tsang Ho Ka Eugene	180	–	–	–	–	180
Liu Yi	180	–	–	–	–	180
Sun Yansheng	180	–	–	–	–	180
	720	6,740	4,062	413	524	12,459

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

		Other emoluments				
	Directors' fees HK$'000	Basic salaries allowances and other benefits HK$'000	Discretionary bonus HK$'000 (Note (c))	Retirement benefits scheme contributions HK$'000	Expense recognised in respect of Conversion Scheme and share option scheme HK$'000 (notes 38 and 39)	Total HK$'000
For the year ended 31 December 2020						
Executive directors:						
Siu Man Hei (Note (a))	–	3,474	1,246	176	524	5,420
Yip Kwok Hung Kevin (Note (b))	–	1,401	1,220	72	–	2,693
Ding Chunya	–	515	351	52	–	918
Kau Wai Fun	–	1,103	145	55	–	1,303
Non-executive directors:						
Xu Xingli	180	–	–	–	–	180
Huang Jianhong	–	–	–	–	–	–
Independent non-executive directors:						
Tsang Ho Ka Eugene	180	–	–	–	–	180
Liu Yi	180	–	–	–	–	180
Sun Yansheng	180	–	–	–	–	180
	720	6,493	2,962	355	524	11,054

Notes:

(a) Siu Man Hei is the chief executive officer of the Company.

(b) Yip Kwok Hung Kevin is the chief financial officer of the Company.

(c) Executive directors of the Company are entitled to discretionary bonus which is determined with reference to the performance of the Group.

(d) Huang Jianhong resigned as non-executive director with effect from 23 June 2021.

(e) Ding Jingyong was appointed as non-executive director with effect from 23 June 2021.

The emoluments of executive directors and non-executive directors shown above were for their services in connection with the management of the affairs of the Company and the Group.

The emoluments of independent non-executive directors shown above were for their services as directors of the Company.

There was no arrangement under which a director waived or agreed to waive any emoluments for both years.

13. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the year ended 31 December 2021 included two (2020: two) directors of the Company, details of whose emoluments are included in note 12 above. The emoluments of the remaining three (2020: three) highest paid employees are as follows:

	2021 **HK$'000**	2020 HK$'000
Basic salaries, allowances and other benefits	**8,650**	10,731
Discretionary bonus (Note)	**3,883**	1,832
Retirement benefits scheme contributions	**469**	341
	13,002	12,904

Note: Certain employees of the Company are entitled to discretionary bonus which is determined with reference to the performance of the Group.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	No. of employees	
	2021	2020
HK$1,500,001 to HK$2,000,000	**1**	2
HK$2,000,001 to HK$2,500,000	**1**	–
HK$8,500,001 to HK$9,000,000	**1**	1
	3	3

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

14. DIVIDEND

	2021 HK$'000	2020 HK$'000
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	**34,228**	14,821

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: 34,228,000) 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 of the Company at the forthcoming annual general meeting.

15. 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 HK$'000	2020 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**2,940**	33,531

	2021	2020
Number of shares		
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	**10,665,415**	16,561,703
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,151,635,165**	1,156,635,528

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2020	24,450	2,860	36,988	4,323	68,621
Additions	14,674	2	5,903	–	20,579
Disposals	–	(31)	(9,486)	–	(9,517)
Exchange realignments	1,432	–	1,122	30	2,584
At 31 December 2020	40,556	2,831	34,527	4,353	82,267
Additions	2,534	–	1,368	3,199	7,101
Disposals	–	(301)	(190)	(266)	(757)
Exchange realignments	898	–	626	19	1,543
At 31 December 2021	43,988	2,530	36,331	7,305	90,154
Depreciation					
At 1 January 2020	14,645	1,696	27,741	4,273	48,355
Provided for the year	5,804	425	3,787	–	10,016
Eliminated upon disposals	–	(31)	(8,866)	–	(8,897)
Exchange realignments	576	–	554	27	1,157
At 31 December 2020	21,025	2,090	23,216	4,300	50,631
Provided for the year	9,054	411	3,850	415	13,730
Eliminated upon disposals	–	(300)	(111)	(239)	(650)
Exchange realignments	448	–	328	12	788
At 31 December 2021	30,527	2,201	27,283	4,488	64,499
Carrying values					
At 31 December 2021	13,461	329	9,048	2,817	25,655
At 31 December 2020	19,531	741	11,311	53	31,636

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the remaining term of leases or 25%
Furniture and fixtures	25%
Office equipment	18% to 47.5%
Motor vehicles	20% to 25%

17. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	Office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
As at 31 December 2021				
Carrying amount	40,728	3,209	191	44,128
As at 31 December 2020				
Carrying amount	54,058	3,320	518	57,896
For the year ended 31 December 2021				
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
For the year ended 31 December 2020				
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.

18. INTANGIBLE ASSETS

	Software HK$'000 (Note (a))	Backlog contracts HK$'000 (Note (b))	License HK$'000 (Note (c))	Total HK$'000
Cost				
At 1 January 2020	9,471	1,207	786	11,464
Additions	207	–	–	207
Written off	(3,175)	–	–	(3,175)
Exchange realignments	422	–	122	544
At 31 December 2020	6,925	1,207	908	9,040
Written off	(777)	–	–	(777)
Exchange realignments	213	–	–	213
At 31 December 2021	6,361	1,207	908	8,476
Amortisation				
At 1 January 2020	6,006	1,207	705	7,918
Provided for the year	663	–	81	744
Written off	(3,049)	–	–	(3,049)
Exchange realignments	240	–	122	362
At 31 December 2020	3,860	1,207	908	5,975
Provided for the year	482	–	–	482
Written off	(767)	–	–	(767)
Exchange realignments	121	–	–	121
At 31 December 2021	3,696	1,207	908	5,811
Carrying values				
At 31 December 2021	2,665	–	–	2,665
At 31 December 2020	3,065	–	–	3,065

Notes:

(a) The software has finite useful lives and is amortised on a straight-line basis at 10% per annum.

(b) The backlog contracts, which represented backlog orders from ongoing design projects, were purchased as part of a business combination in prior years and were fully amortised during the year ended 31 December 2017. The amortisation period was approximately 1 year based on the expected completion date of the backlogs.

(c) The license represents Architect Design and Design Grade A License (建築裝飾工程設計專項甲級) which were purchased as part of a business combination in prior years and were fully amortised during the year ended 31 December 2021. The license has finite useful lives and is amortised on a straight-line basis for approximately 3.5 years.

19. GOODWILL

	HK$'000
At 1 January 2020	1,203
Exchange realignments	75
At 31 December 2020	1,278
Exchange realignments	41
At 31 December 2021	1,319

For the purpose of impairment testing, goodwill has been allocated to a cash-generating unit, representing 北京港源建築裝飾設計研究院有限公司 acquired by the Group during the year ended 31 December 2016, in the interior design services segment.

During the year ended 31 December 2021, the management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 13.47 % (2020: 13.47%), that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. The cash flows beyond the five-year period are extrapolated using a 2% (2020: 2%) growth rate. The growth rate is based on industry growth forecasts. Changes in gross margin are based on past practices and expectation of future changes in the market. The management believes that reasonably possible change in any of these assumptions would not cause the carrying amount of the cash-generating unit containing the goodwill to exceed its recoverable amount.

20. DEFERRED TAXATION

The following are the major deferred tax (assets) liabilities recognised and movement thereon during the current and prior years:

	Accelerated accounting depreciation	Allowance for credit losses	Tax losses	Fair value adjustment on business acquisition	Unrealised profits	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	(1,144)	(4,306)	(15,366)	20	1,980	(18,816)
Charge (credit) to profit or loss	185	(5,127)	1,584	(20)	(1,568)	(4,946)
Exchange realignments	–	(202)	–	–	69	(133)
At 31 December 2020	(959)	(9,635)	(13,782)	–	481	(23,895)
Charge (credit) to profit or loss	125	(8,539)	1,002	–	(309)	(7,721)
Exchange realignments	–	(408)	–	–	11	(397)
At 31 December 2021	(834)	(18,582)	(12,780)	–	183	(32,013)

For the purpose of presentation in the consolidated statement of financial position, the following is the analysis of the deferred taxation:

	2021	2020
	HK$'000	HK$'000
Deferred tax assets	**(32,241)**	(25,854)
Deferred tax liabilities	**228**	1,959
	(32,013)	(23,895)

Under the EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiary from 1 January 2008 onwards. As at 31 December 2021, the aggregate amount of temporary differences associated with undistributed earnings of the PRC subsidiaries for which deferred tax liabilities have not been recognised are HK$171,473,000 (2020: HK$146,731,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 31 December 2021, the Group had unused estimated tax losses of HK$122,610,000 (2020: HK$115,035,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such tax losses of HK$77,452,000 (2020: HK$83,526,000). No deferred tax asset has been recognised on the remaining tax losses of HK$45,158,000 (2020: HK$31,509,000) due to the unpredictability of future profit streams. The tax losses available may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

21. INVENTORIES

Inventories represent finished goods for trading purpose.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Financial assets at FVTPL		
– Unlisted fund investments	**30,300**	–

23. TRADE RECEIVABLES

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

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

	2021 HK$'000	2020 HK$'000
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	**45,541**	63,798
	172,591	219,898

23. TRADE RECEIVABLES (CONTINUED)

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.

Details of impairment assessment for the year ended 31 December 2021 are set out in note 37.

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 **HK$'000**	2020 HK$'000
Other receivables	**5,761**	5,580
Value-added tax recoverable	**5,050**	5,894
Prepayments of expenses	**3,363**	9,512
Rental deposits	**6,595**	5,909
PRC tax rebates	**4,916**	6,627
Deposits paid for acquisition of property, plant and equipment	**347**	1,572
Other deposits	**658**	777
	26,690	35,871
Analysed as:		
Current	**19,748**	29,064
Non-current – Deposits paid for acquisition of property, plant and equipment	**347**	1,572
Non-current – Rental deposits	**6,595**	5,235
	26,690	35,871

Details of impairment assessment for the year ended 31 December 2021 are set out in note 37.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

25. CONTRACT ASSETS

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

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.

Details of impairment assessment for the year ended 31 December 2021 are set out in note 37.

26. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

As at 31 December 2021, bank deposits 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. The pledged bank deposits carry interest of 0.30% (2020: 1.55%) per annum.

Cash at banks earns interest at market interest rates. Short term deposits during the year are placed for periods ranging from one day to three month and earn interest at respective short-term deposits rates.

As at 31 December 2021, the bank balances and cash of the Group denominated in Renminbi ("**RMB**") amounted to HK$165,153,000 (2020: HK$163,915,000).

Details of impairment assessment for the year ended 31 December 2021 are set out in note 37.

27. 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 **HK$'000**	2020 HK$'000
0 to 180 days	**26,726**	15,891
Over 180 days	**10,270**	16,872
	36,996	32,763

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

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

28. BANK BORROWINGS

	2021 **HK$'000**	2020 HK$'000
Secured	**–**	20,969
Unsecured	**20,000**	5,094
	20,000	26,063
The carrying amounts of the bank loans that contain a repayment on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment dates set out in the loan agreements are within one year	**20,000**	26,063

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.

28. BANK BORROWINGS (CONTINUED)

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 RMB 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 (2020: HK$5,094,000) of the Group's unsecured borrowings are guaranteed by the Company.

29. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Within one year	**24,293**	24,721
Within a period of more than one year but not more than two years	**12,594**	21,428
Within a period of more than two years but not more than five years	**9,316**	14,818
	46,203	60,967
Less: Amount due for settlement within 12 months shown under current liabilities	**(24,293)**	(24,721)
Amount due for settlement after 12 months shown under non-current liabilities	**21,910**	36,246

The weighted average lease's incremental borrowing rates applied by the Group ranged from 1.3% to 5.9% (2020: 1.3% to 5.9%).

30. CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Interior design services	**10,486**	2,401
Interior decorating and furnishing services	**14,867**	15,935
	25,353	18,336

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

Movements in contract liabilities:

	2021 HK$'000	2020 HK$'000
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	**1,000**	925
Balance at the end of the year	**25,353**	18,336

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

31. SHARE CAPITAL

	Number of shares	HK$
Ordinary share of the Company of HK$0.01 each		
Authorised		
At 1 January 2020, 31 December 2020 and 31 December 2021	4,000,000,000	40,000,000
Issued and fully paid		
At 1 January 2020	1,140,039,000	11,400,390
Issue of shares upon exercise of share options (Note 1)	150,000	1,500
Issue of shares upon exercise of share options (Note 2)	729,000	7,290
At 31 December 2020	1,140,918,000	11,409,180
Issue of shares upon exercise of share options (Note 3)	483,000	4,830
At 31 December 2021	1,141,401,000	11,414,010

Notes:

1. 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. Details are set out in note 39.

2. 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. Details are set out in note 39.

3. 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. Details are set out in note 39.

32. FINANCIAL INFORMATION OF THE COMPANY

The following is the statement of financial position of the Company:

	2021 HK$'000	2020 HK$'000
Non-current Asset		
Interests in subsidiaries	112,900	112,859
Current Assets		
Amount due from a subsidiary	34,748	73,375
Dividend receivable from a subsidiary	79,000	79,000
Other receivables	289	288
Bank balances and cash	43,311	41,981
	157,348	194,644
Current Liabilities		
Other payables and accrued charges	137	243
Net Current Assets	157,211	194,401
Total Assets less Current Liabilities	270,111	307,260
Capital and Reserves		
Share capital (note 31)	11,414	11,409
Reserves	258,697	295,851
Total Equity	270,111	307,260

32. FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

The followings are the movements in reserves of the Company for the current and prior years:

	Share premium HK$'000 (Note)	**Retained profits (accumulated losses)** HK$'000	**Total** HK$'000
At 1 January 2020	257,100	56,132	313,232
Dividend recognised as distributions	–	(14,821)	(14,821)
Shares issued upon exercise of share options under share option scheme	876	–	876
Loss and total comprehensive expense for the year	–	(3,436)	(3,436)
At 31 December 2020	257,976	37,875	295,851
Dividend recognised as distributions		(34,228)	(34,228)
Shares issued upon exercise of share options under share option scheme	248	–	248
Loss and total comprehensive expense for the year	–	(3,174)	(3,174)
At 31 December 2021	258,224	473	258,697

Note: Share premium represents (i) the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the share capital and other reserves of SLD Group Holdings Limited, a subsidiary which was incorporated pursuant to the Reorganisation and (ii) the share premium arising from the issuance of new shares upon the exercise of share options under share option scheme.

33. 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	**–**	217

34. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2021, the Group has lease modification of HK$2,145,000. During the year ended 31 December 2021, the Group entered into new lease arrangements for the use of leased properties for 2-4 years (2020: 2-5 years). On the lease commencement, the Group recognised HK$8,411,000 (2020: HK$21,308,000) right-of-use assets and HK$8,411,000 (2020: HK$20,830,000) lease liabilities.

35. RELATED PARTY TRANSACTIONS

Other than the balances and transactions with related parties disclosed elsewhere in these consolidated financial statements, the Group has entered into the following transactions with its related parties for the current and prior years:

Relationship	**Nature of transactions**	**2021 HK$'000**	2020 HK$'000
Fellow subsidiary	Consultancy service expense	**648**	–
	Interest on lease liabilities	**35**	92
	Interior design service income	**7,344**	3,918
	Referral fee	**93**	386
	Interior design service expense	**–**	79
	Repayment of lease liabilities	**1,162**	1,084
Ultimate holding company	Interior design service income	**–**	533
Related company (Note)	Interior design service income and sales of interior decorative products	**32**	115
	Referral fee	**–**	112

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

Compensation of Key Management Personnel

Directors are the key management personnel of the Group whose emoluments are disclosed in note 12.

The remuneration of other key management personnel of the Group, Leung Chi Tien Steve, is as follows:

	2021 HK$'000	2020 HK$'000
Basic salaries, allowance and other benefits	**6,050**	7,941
Discretionary bonus	**2,421**	1,592
Retirement benefits scheme contributions	**285**	271
	8,756	9,804

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 28, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through payment of dividends, issue of new shares as well as issue of new debts or redemption of existing debts.

The gearing ratio at the end of reporting period is as follows:

	2021 **HK$'000**	2020 HK$'000
Debt	**20,000**	26,063
Cash and cash equivalents	**(246,661)**	(275,263)
Net debt	**(226,661)**	(249,200)
Equity attributable to the owners of the Company	**466,916**	487,801
Net debt to equity ratio	**N/A**	N/A

37. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

	2021 **HK$'000**	2020 HK$'000
Financial assets		
Financial assets at amortised cost	**432,824**	514,766
Financial assets at FVTPL	**30,300**	–
	463,124	514,766
Financial liabilities		
Amortised cost	**84,046**	85,081

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management Objectives

The major financial instruments of the Group include financial assets at FVTPL, trade receivables, certain other receivables, pledged bank deposits, bank balances and cash, trade payables, other payables and accrued charges, and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's risk exposure relating to financial instruments or the manner in which it manages and measures the risks during the year.

Interest Rate Risk

The Group is mainly exposed to cash flow interest rate risk in relation to pledged bank deposits (see note 26 for details), bank borrowings (see note 28 for details) and lease liabilities (see note 29 for details). The Group currently does not have any interest rate hedging policy. The directors of the Company monitor the interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

No interest rate sensitivity is disclosed as in the opinion of the directors of the Company, the interest rate sensitivity does not give additional value in view of insignificant exposure at the end of the reporting period.

Foreign Currency Risk

The Group has foreign currency transactions, which expose the Group to foreign currency risk.

At the end of the reporting period, the carrying amounts of the Group's monetary assets and monetary liabilities including inter-company balances denominated in currencies other than the functional currencies of its respective group entities are as follows:

	2021		2020	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
United States dollars ("**US$**")	**56,233**	**–**	15,975	94
RMB	**64,137**	**601**	64,042	255
Euro ("**EUR**")	**990**	**–**	1,415	–
Singapore ("**SGD**")	**2,693**	**–**	1,311	–
Great British Pound ("**GBP**")	**3,821**	**–**	4,943	551
Dirham ("**AED**")	**275**	**–**	–	–
HK$	**604**	**–**	541	–
Inter-company balances RMB	**23,043**	**–**	25,572	–

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management Objectives (Continued)

Sensitivity Analysis

Since HK$ is pegged to US$, sensitivity analysis is not presented. The following table details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currencies against the respective functional currencies of group entities. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis has been prepared based on outstanding foreign currency denominated monetary items and also inter-company balances and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the foreign currencies strengthen 5% against the relevant functional currencies. For a 5% weakening of the foreign currencies against the relevant functional currencies, there would be an equal and opposite impact on the post-tax profit, and the balances below would be negative. The sensitivity analysis of the Group also includes currency risk exposure on inter-company balances.

	RMB impact		EUR impact		SGD impact		GBP impact		AED impact		HK$ impact	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Increase in post-tax profits for the year	**3,615**	3,731	**41**	59	**112**	55	**160**	183	**11**	–	**25**	23

Credit Risk and Impairment Assessment

As at 31 December 2021, the maximum exposure to credit risk by the Group which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to manage its credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each debt on a collective and on-going basis to ensure that adequate impairment losses are made for irrecoverable amounts. A net impairment loss of HK$40,165,000 (2020: HK$23,723,000) in respect of the trade receivables and contract assets were recognised in profit or loss by the Group for the year ended 31 December 2021.

The Group has no significant concentration of credit risk in respect of trade and certain other receivables, with exposure spread over a number of counterparties and customers during the year.

The credit risk on liquid funds of the Group is limited because the counterparties are international or state-managed banks with high credit-ratings assigned by international credit-rating agencies.

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management Objectives (Continued)

Credit Risk and Impairment Assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle the amounts	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management Objectives (Continued)

Credit Risk and Impairment Assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

2021	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK$'000	HK$'000
Financial assets at amortised cost					
Bank balances and pledged bank deposits	26	(Note)	12m ECL	**246,453**	**246,453**
Certain other receivables	24	Low risk	12m ECL	**13,014**	**13,014**
Trade receivables	23	Low risk	Lifetime ECL – not credit-impaired	**151,913**	
		Watch list	Lifetime ECL – not credit-impaired	**22,509**	
		Doubtful	Lifetime ECL – not credit-impaired	**19,368**	
		Loss	Lifetime ECL – credit-impaired	**44,492**	**238,282**
Other items					
Contract assets	25	Low risk	Lifetime ECL – not credit-impaired	**63,778**	
		Doubtful	Lifetime ECL – not credit-impaired	**3,289**	
		Loss	Lifetime ECL – credit-impaired	**17,390**	**84,457**

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management Objectives (Continued)

Credit Risk and Impairment Assessment (Continued)

2020	Notes	Internal credit rating	12m or lifetime ECL	Gross carrying amount HK$'000	HK$'000
Financial assets at amortised cost					
Bank balances and pledged bank deposits	26	(Note)	12m ECL	282,336	282,336
Certain other receivables	24	Low risk	12m ECL	12,266	12,266
Trade receivables	23	Low risk	Lifetime ECL – not credit-impaired	196,293	
		Watch list	Lifetime ECL – not credit-impaired	15,695	
		Doubtful	Lifetime ECL – not credit-impaired	20,769	
		Loss	Lifetime ECL – credit-impaired	22,511	255,268
Other items					
Contract assets	25	Low risk	Lifetime ECL – not credit-impaired	46,739	
		Watch list	Lifetime ECL – not credit-impaired	3,532	
		Doubtful	Lifetime ECL – not credit-impaired	5,517	
		Loss	Lifetime ECL – credit-impaired	2,396	58,184

Note: The counterparties are licensed banks with high credit ratings and the risk of default on liquid funds is limited.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation. The trade receivables and contract assets are assessed on a collective basis based on internal credit rating, other than significant balances or credit-impaired which are assessed individually. The table below details the credit risk exposure of the Group's trade receivables and contract assets within Lifetime ECL (not credit-impaired).

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management Objectives (Continued)

Credit Risk and Impairment Assessment (Continued)

Gross Carrying Amount

Internal credit rating	**2021** Average loss rate	**2021** Trade receivables HK$'000	**2021** Contract assets HK$'000	2020 Average loss rate	2020 Trade receivables HK$'000	2020 Contract assets HK$'000
Low risk	**2.9%**	**151,913**	**63,778**	1.6%	196,293	46,739
Watch list	**29.9%**	**22,509**	**–**	17.2%	15,695	3,532
Doubtful	**41.2%**	**19,368**	**3,289**	41.6%	20,769	5,517
		193,790	**67,067**		232,757	55,788

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets. Due to greater financial uncertainty on the settlement from the Group's customers, the Group has increased the expected loss rates in the current year as there is higher risk that some of the residential property developers customers of the Group appear to be in severe financial difficulties which could lead to increased credit default rates.

During the year ended 31 December 2021, the Group provided HK$29,743,000 (2020: HK$16,444,000) and HK$10,422,000 (2020: HK$7,279,000) net impairment allowance for trade receivables and contract assets respectively. Impairment allowance of HK$44,492,000 (2020: HK$22,511,000) and HK$17,390,000 (2020: HK$2,396,000) were made on credit-impaired trade receivables and contract assets respectively, as at 31 December 2021.

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management Objectives (Continued)

Credit Risk and Impairment Assessment (Continued)

Gross Carrying Amount (Continued)

The following table shows the movement in allowance for credit losses that has been recognised for trade receivables and contract assets under the simplified approach.

	Lifetime ECL not credit impaired HK$'000	Lifetime ECL credit impaired HK$'000	Total HK$'000
As at 1 January 2020	9,788	7,967	17,755
Net impairment recognised in profit or loss	8,053	15,670	23,723
Written off	(503)	–	(503)
Exchange realignments	784	1,270	2,054
As at 31 December 2020	18,122	24,907	43,029
Net impairment recognised in profit or loss	3,572	36,593	40,165
Written off	–	(843)	(843)
Exchange realignments	589	1,225	1,814
As at 31 December 2021	22,283	61,882	84,165

Liquidity Risk

In the management of the liquidity risk, the Group monitors a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows.

The following tables detail the contractual maturity of the Group's financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay.

37. FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Management Objectives (Continued)

Liquidity Risk (Continued)

	Weighted average interest rate	On demand or less than 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2021						
Trade payables	**–**	**36,996**	**–**	**–**	**36,996**	**36,996**
Other payables and accrued charges	**–**	**27,050**	**–**	**–**	**27,050**	**27,050**
Bank borrowings	**–**	**20,000**	**–**	**–**	**20,000**	**20,000**
Lease liabilities	**4.68**	**6,796**	**19,124**	**22,968**	**48,888**	**46,203**
		90,842	**19,124**	**22,968**	**132,934**	**130,249**
As at 31 December 2020						
Trade payables	–	32,763	–	–	32,763	32,763
Other payables and accrued charges	–	26,255	–	–	26,255	26,255
Bank borrowings	–	26,063	–	–	26,063	26,063
Lease liabilities	4.38	6,204	19,981	40,584	66,769	60,967
		91,285	19,981	40,584	151,850	146,048

Bank borrowing with a repayment on demand clause is included in the "on demand or less than 3 months" time band in the above maturity analysis. As at 31 December 2021, the aggregate undiscounted principal amounts of the bank borrowing with a repayment on demand clause amounted to HK$20,000,000 (2020: HK$26,063,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the bank will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowing will be repaid within 1 year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreement, details of which are set out in the table below. As such, the undiscounted cash flows amounts below include principal and interest payments computed using contractual rates.

	Weighted average interest rate	Less than 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2021	**3.46**	**20,023**	**–**	**–**	**20,023**	**20,000**
At 31 December 2020	5.43	–	26,631	–	26,631	26,063

37. FINANCIAL INSTRUMENTS (CONTINUED)

Fair Value Measurement

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 HK$	**Level 2** HK$	**Level 3** HK$	**Total** HK$
As at 31 December 2021				
Financial assets at FVTPL				
– Unlisted fund investments	–	30,300	–	30,300

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

There were no transfer between level 1 and level 2 during the year ended 31 December 2021.

38. LONG-TERM EMPLOYEE BENEFITS

The Group adopted "Three-Year Loyalty Incentive Scheme" (the "**Loyalty Incentive Scheme**") and Conversion Scheme on 26 November 2014 for the purpose of enhancing the stability and the sense of belonging of the selected employees.

Loyalty Incentive Scheme

Under the Loyalty Incentive Scheme, eligible employees may, at their discretion, deposit up to 50% of their respective year-end bonus for the years ended 31 December 2014, 31 December 2015 and/or 31 December 2016 (the "**Accumulated Bonus**") with the Group for a term of 24 months commencing from 31 December of the relevant years (the "**Accumulation Period**") (i.e. until 31 December 2016, 31 December 2017, and/or 31 December 2018). Subject to the participation of the Conversion Scheme by the relevant employees, the Group will pay to the employees who participated in the Loyalty Incentive Scheme the Accumulated Bonus plus a doubled amount (the "**Incentive Bonus**") within 14 days after the expiry of the relevant Accumulation Period.

During the year ended 31 December 2021 and 2020, the Group did not recognise any expense in relation to the Incentive Bonus granted under the Loyalty Incentive Scheme.

38. LONG-TERM EMPLOYEE BENEFITS (CONTINUED)

Conversion Scheme

Eligible employees may also, at their discretion, participate in the Conversion Scheme for the years ended 31 December 2014, 31 December 2015 and 31 December 2016. Pursuant to the Conversion Scheme, the eligible employees may subscribe the awarded shares in SLD in January 2017 at the discounted exercise price of HK$2,500,000 per 1% of the issued share capital of SLD from the shareholders of the Company based on the amount he/she is entitled to (including the original deposited sum and the return) under the Loyalty Incentive Scheme. Such awarded shares will be vested and transferred from the shareholders to the employees in January 2022. No awarded share in SLD was subscribed since 1 January 2017.

The total number of shares which may be awarded under the Conversion Scheme is not permitted to exceed 15% of the shares of SLD in issue at any point in time, without prior approval from the SLD's shareholders. The number of shares awarded and to be transferred from the shareholders to the employees under the Conversion Scheme and may be granted to any individual in any one year is not permitted to exceed 1.5% of the shares of SLD in issue at any point in time, without prior approval from the SLD's shareholders.

As at 31 December 2014, 31 December 2015 and 31 December 2016, the number of shares in respect of which the Conversion Scheme had been awarded were 2.97, 2.29 and 0.44 respectively, representing 2.97%, 2.29% and 0.44% of the shares of SLD in issue at those dates. The estimated total fair values of the shares in respect of which the Conversion Scheme had been awarded on 31 December 2014, 31 December 2015 and 31 December 2016 were HK$7,427,000, HK$5,723,000 and HK$1,111,000 respectively, which was determined with reference to the consideration for SLD Acquisition as defined in the section headed "History, Development and Reorganisation" in the Prospectus.

During the year ended 31 December 2018, the Conversion Scheme is replaced by the share option scheme as detailed in note 39.

39. SHARE-BASED PAYMENT TRANSACTIONS

Equity-Settled Share Option Scheme of the Company

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

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

39. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-Settled Share Option Scheme of the Company (Continued)

At 31 December 2021, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 28,815,600 (2020: 29,399,400), representing 2.52% (2020: 2.58%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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

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

Date of grant	Exercise price HK$	Exercise period	Outstanding at 1 January 2020	Exercised during the year	Forfeited during the year (Note)	Outstanding at 31 December 2020	Exercised during the year	Forfeited during the year (Note)	Outstanding at 31 December 2021
5 July 2018	0.44	05/07/2018-30/06/2024	6,055,680	(342,000)	–	5,713,680	(120,840)	–	5,592,840
		05/07/2019-30/06/2024	6,055,680	(342,000)	–	5,713,680	(120,840)	–	5,592,840
		05/07/2020-30/06/2024	6,055,680	(195,000)	–	5,860,680	(120,840)	(480)	5,739,360
		05/07/2021-30/06/2024	6,055,680	–	–	6,055,680	(120,480)	(50,160)	5,885,040
		05/07/2022-30/06/2024	6,055,680	–	–	6,055,680	–	(50,160)	6,005,520
			30,278,400	(879,000)	–	29,399,400	(483,000)	(100,800)	28,815,600
Exercisable at the end of the year						17,288,040			22,810,080
Weighted average exercise price			HK$0.44	HK$0.44	HK$0.44	HK$0.44	HK$0.44	HK$0.44	HK$0.44

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

39. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Equity-Settled Share Option Scheme of the Company (Continued)

During the year ended 31 December 2021, 483,000 (2020: 879,000) share options were exercised and 483,000 (2020: 879,000) new ordinary shares of the Company were issued at a price of HK$0.44 per share.

The Group recognised the total expense of HK$1,572,000 (2020: HK$1,585,000) for the year ended 31 December 2021 in relation to share options granted by the Company and shares awarded under the Conversion Scheme.

40. RETIREMENT BENEFITS SCHEME

The employees of the Company's subsidiaries in Hong Kong participate in the MPF Scheme established under the Mandatory Provident Fund Schemes Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustee. All employees in Hong Kong joining the Group are required to join the MPF Scheme.

Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income capped at HK$1,500 per month. The retirement benefit costs charged to profit or loss represent contributions payable to such fund by the Group at rates specified in the rules of this scheme.

The employees of the Company's subsidiaries in PRC are members of the state-managed retirement benefits scheme operated by the PRC government authority. The Company's PRC subsidiaries are required to contribute a certain percentage of their employees' payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

At 31 December 2021, there were no forfeited contributions available to offset future employers' contributions to the schemes.

The total expense recognised in profit or loss for the year ended 31 December 2021 of HK$24,250,000 (2020: HK$14,908,000) represents contributions paid or payable to the above schemes by the Group.

41. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2021 and 2020 are as follows:

Name of subsidiaries	Place of incorporation or establishment/ operations	Issued and fully paid capital/ registered capital	2021	2020	Principal activities
Direct subsidiary:					
SLD Group Holdings Limited	BVI	US$1	100%	100%	Investment holding
Indirect subsidiaries:					
SLD	Hong Kong	HK$100	100%	100%	Provision of interior design services, interior decorating and furnishing services and product design services
梁志天設計諮詢(深圳)有限公司 Steve Leung Designers (Shenzhen) Limited (Notes (i) & (ii))	PRC	HK$1,000,000	100%	100%	Provision of interior design services, interior decorating and furnishing services and product design services
梁志天室內設計(北京)有限公司 Steve Leung Designers (Beijing) Limited (Notes (i) & (ii))	PRC	RMB2,000,000	100%	100%	Provision of interior design services, interior decorating and furnishing services and product design services
北京港源建築裝飾設計研究院有限公司 Beijing Guangyuan Institute of Architectural Decoration Design and Research Co., Ltd. (Notes (i) & (iii))	PRC	RMB10,000,000	80%	80%	Provision of interior design services and interior decorating and furnishing services, and trading of interior decorating products
梁志天生活藝術(深圳)有限公司 Steve Leung Lifestyle (Shenzhen) Limited (Notes (i) & (ii))	PRC	RMB700,000	100%	100%	Provision of interior decorating and furnishing services and trading of interior decorating products
Steve Leung & Yoo Limited	Hong Kong	HK$1	100%	100%	Inactive
Steve Leung Architects Limited	Hong Kong	HK$100	100%	100%	Inactive

41. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation or establishment/ operations	Issued and fully paid capital/ registered capital	2021	2020	Principal activities
Steve Leung Exchange Limited	Hong Kong	HK$100	100%	100%	Provision of interior design services
Steve Leung Hospitality Limited	Hong Kong	HK$100	100%	100%	Provision of interior design services
Everyday Living Limited	Hong Kong	HK$100	100%	100%	Trading of interior decorative products
天天生活(廣州)貿易有限公司 Everyday Living (Guangzhou) Trading Limited (Notes (i) & (ii))	PRC	RMB751,000	100%	100%	Trading of interior decorative products
Steve Leung Lifestyle Limited	Hong Kong	HK$100	100%	100%	Provision of interior decorating and furnishing services and trading of interior decorative products
港源室內設計(天津)有限公司 (Notes (i) & (iii))	PRC	RMB700,000	80%	80%	Provision of interior design services and interior decorating and furnishing services, and trading of interior decorating products
Steve Leung Casa Limited	Hong Kong	HK$100	100%	100%	Provision of interior design services and interior decorating and furnishing services
Steve Leung Designers (Tianjin) Limited	Hong Kong	HK$100	100%	100%	Investment holding
梁志天裝飾設計(天津)有限公司 Steve Leung Lifestyle (Tianjin) Co., Ltd. (Notes (i) & (ii))	PRC	RMB700,000	100%	100%	Provision of interior design services, interior decorating and furnishing services and product design services
梁志天私宅設計(天津)有限公司 Steve Leung Casa (Tianjin) Co., Ltd. (Notes (i) & (ii))	PRC	RMB700,000	100%	100%	Provision of interior design services and interior decorating and furnishing services

41. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation or establishment/ operations	Issued and fully paid capital/ registered capital	2021	2020	Principal activities
梁志天室內設計(天津)有限公司 Steve Leung Designers (Tianjin) Co., Ltd. (Notes (i) & (ii))	PRC	RMB700,000	100%	100%	Provision of interior design services, interior decorating and furnishing services and product design services
Steve Leung Wellness Design Limited	Hong Kong	HK$100	100%	100%	Inactive
SL2.0 Designers Limited	Hong Kong	HK$100	100%	100%	Provision of interior design services, interior decorating and furnishing services and product design services
思路室內設計(天津)有限公司 SL2.0 Designers (Tianjin) Co., Ltd. (Notes (i) & (ii))	PRC	RMB700,000	100%	100%	Provision of interior design services and interior decorating and furnishing services
梁志天建築設計諮詢(天津)有限公司 Steve Leung Architects (Tianjin) Co., Ltd. (Notes (i), (ii) & (iv))	PRC	RMB700,000	–	100%	Provision of interior design services
梁志天室內設計(深圳)有限公司 Steve Leung Designers (Qianhai) Co., Ltd. (Notes (i) & (ii))	PRC	RMB700,000	100%	100%	Provision of interior design services, interior decorating and furnishing services and product design services

Notes:

(i) English translated name is for identification only.

(ii) The Company's subsidiary is a wholly foreign owned enterprise in PRC.

(iii) The Company's subsidiary is a sino-foreign equity joint venture in PRC.

(iv) The Company's subsidiary was deregistered during the year ended 31 December 2021.

None of the subsidiaries had issued any debt securities at the end of the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended 31 December 2021

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK$'000	**Lease liabilities** HK$'000	**Dividend payable** HK$'000	**Interest payable** HK$'000	**Total** HK$'000
At 1 January 2020	33,618	62,646	–	–	96,264
Finance costs (note 9)	–	2,846	–	1,539	4,385
Financing cash flows	(7,776)	(26,070)	(14,821)	(1,539)	(50,206)
Non-cash changes					
New leases entered	–	20,830	–	–	20,830
Termination of a lease	–	(1,255)	–	–	(1,255)
Dividend recognised as distribution	–	–	14,821	–	14,821
Exchange realignment	221	1,970	–	–	2,191
At 31 December 2020	**26,063**	**60,967**	**–**	**–**	**87,030**
Finance costs (note 9)	**–**	**2,289**	**–**	**1,721**	**4,010**
Financing cash flows	**(6,908)**	**(27,252)**	**(34,228)**	**(1,721)**	**(70,109)**
Non-cash changes					
New leases entered	**–**	**8,411**	**–**	**–**	**8,411**
Termination of a lease	**–**	**828**	**–**	**–**	**828**
Dividend recognised as distribution	**–**	**–**	**34,228**	**–**	**34,228**
Exchange realignment	**845**	**960**	**–**	**–**	**1,805**
At 31 December 2021	**20,000**	**46,203**	**–**	**–**	**66,203**

43. EVENTS AFTER THE REPORTING PERIOD

There is no significant events subsequent to 31 December 2021.

FINANCIAL SUMMARY

Results	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
Revenue	434,822	503,890	504,686	432,974	**455,035**
Profit before taxation	101,322	88,221	61,135	57,686	**5,541**
Income tax expense	(27,763)	(30,208)	(21,009)	(23,052)	**(3,893)**
Profit for the year	73,559	58,013	40,126	34,634	**1,648**
Profit (loss) for the year attribution to:					
– Owners of the Company	72,251	56,727	38,648	33,531	**2,940**
– Non-controlling interests	1,308	1,286	1,478	1,103	**(1,292)**
	73,559	58,013	40,126	34,634	**1,648**

	2017	2018	2019	2020	**2021**
Earnings per share – basic (expressed in Hong Kong cents)	8.45	5.70	3.39	2.94	**0.26**

Assets and liabilities	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021** **HK$'000**
Total assets	375,127	622,197	677,791	710,047	**649,842**
Total liabilities	(167,977)	(136,307)	(214,241)	(210,186)	**(171,958)**
Net assets	207,150	485,890	463,550	499,861	**477,884**
Equity attributable to:					
– Owners of the Company	199,174	476,411	452,764	487,801	**466,916**
– Non-controlling interests	7,976	9,479	10,786	12,060	**10,968**
Total equity	207,150	485,890	463,550	499,861	**477,884**

During the year ended 31 December 2019, the Group has applied HKFRS 16. Accordingly, certain comparative information for the years ended 31 December 2017 and 2018 may not be comparable as such comparative information was prepared under HKAS 17.