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## STEVE LEUNG DESIGN GROUP LIMITED

### 梁志天設計集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2262)

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

### FINANCIAL HIGHLIGHTS

	For the six months period ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
<b>Results:</b>		
Revenue for the period (HK\$'million)	<b>177.8</b>	212.8
(Loss) profit for the period (HK\$'million)	<b>(36.1)</b>	4.1
<b>Financial Information:</b>		
(Loss) earnings per share-basic (HK Cents)	<b>(3.24)</b>	0.32
Net assets value per share (HK\$)	<b>0.33</b>	0.42

### Remaining Contract Sum:

As at 30 June 2022, the Group had remaining contract sum of approximately HK\$458.4 million (31 December 2021: approximately HK\$422.2 million).

### Bank Balances and Cash:

As at 30 June 2022, the Group had bank balances and cash of approximately HK\$181.1 million (31 December 2021: approximately HK\$246.7 million).

### Interim Dividend:

The Board does not recommend the payment of interim dividend for the six months period ended 30 June 2022.

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of STEVE LEUNG DESIGN GROUP LIMITED 梁志天設計集團有限公司 (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months period ended 30 June 2022 (the “**Period**”) together with the unaudited comparative figures for the corresponding six months period ended 30 June 2021 (the “**Previous Period**”) as follows:

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

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

	NOTES	Six months period ended 30 June	
		2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue	3	177,833	212,808
Cost of sales		(122,437)	(133,036)
Gross profit		55,396	79,772
Other gains and losses		(1,867)	5,447
Impairment losses on trade receivables and contract assets under expected credit loss model	4	(9,017)	(5,039)
Other income		858	5,010
Administrative expenses		(78,498)	(71,915)
Finance costs		(1,719)	(2,078)
(Loss) profit before taxation		(34,847)	11,197
Income tax expense	5	(1,262)	(7,139)
(Loss) profit for the period	6	(36,109)	4,058
<i>Other comprehensive (expense) income that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(11,189)	3,853
Total comprehensive (expense) income for the period		(47,298)	7,911
(Loss) profit for the period attributable to:			
— Owners of the Company		(36,931)	3,609
— Non-controlling interests		822	449
		(36,109)	4,058
Total comprehensive (expense) income for the period attributable to:			
— Owners of the Company		(47,787)	7,361
— Non-controlling interests		489	550
		(47,298)	7,911
		<b>HK cents</b>	<b>HK cents</b>
(Loss) earnings per share	8		
— Basic		(3.24)	0.32
— Diluted		(3.24)	0.31

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2022**

	<i>NOTES</i>	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	9	18,762	25,655
Right-of-use assets	9	32,210	44,128
Intangible assets		2,339	2,665
Goodwill		1,264	1,319
Deposits paid for acquisition of property, plant and equipment	12	57	347
Rental deposits	12	6,458	6,595
Deferred tax assets		35,693	32,241
		<u>96,783</u>	<u>112,950</u>
<b>Current Assets</b>			
Inventories		1,004	1,008
Financial assets at fair value through profit or loss	10	–	30,300
Trade receivables	11	174,392	172,591
Other receivables, deposits and prepayments	12	24,366	19,748
Contract assets	13	73,087	65,983
Tax recoverable		43	43
Pledged bank deposits	17	–	558
Bank balances and cash		181,146	246,661
		<u>454,038</u>	<u>536,892</u>
<b>Current Liabilities</b>			
Trade payables	14	29,139	36,996
Other payables and accrued charges	14	17,534	27,177
Bank borrowings	15	50,000	20,000
Lease liabilities		19,925	24,293
Contract liabilities	13	27,898	25,353
Tax liabilities		17,738	16,001
		<u>162,234</u>	<u>149,820</u>
<b>Net Current Assets</b>		<u>291,804</u>	<u>387,072</u>
<b>Total Assets less Current Liabilities</b>		<u>388,587</u>	<u>500,022</u>

	<i>NOTES</i>	<b>30 June 2022 (Unaudited) HK\$'000</b>	31 December 2021 (Audited) HK\$'000
<b>Capital and Reserves</b>			
Share capital	16	11,414	11,414
Reserves		<u>351,431</u>	<u>455,502</u>
Equity attributable to owners of the Company		<b>362,845</b>	466,916
Non-controlling interests		<u>11,457</u>	<u>10,968</u>
<b>Total Equity</b>		<u><b>374,302</b></u>	<u>477,884</u>
<b>Non-current Liabilities</b>			
Deferred tax liabilities		97	228
Lease liabilities		<u>14,188</u>	<u>21,910</u>
		<u><b>14,285</b></u>	<u>22,138</u>
		<u><b>388,587</b></u>	<u>500,022</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2022

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from the application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months period ended 30 June 2022 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2021.

### Application of amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual Improvements to HKFRSs 2018–2020

Except as described below, the application of the amendments to HKFRSs in the current period has no material impact on the Group’s performance and financial positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 2.1 Impacts on application of amendments

### ***Amendments to HKFRS 3, Reference to the Conceptual Framework***

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

These amendments had no impact on the interim unaudited condensed consolidated financial statements of the Group.

### ***Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

These amendments had no impact on the interim unaudited condensed consolidated financial statements of the Group.

### ***Amendments to HKAS 37, Onerous Contracts — Cost of Fulfilling a Contract***

The amendments specify that the ‘cost of fulfilling a contract’ comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

These amendments had no impact on the interim unaudited condensed consolidated financial statements of the Group.

### ***Annual Improvements to HKFRSs 2018–2020***

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the ‘10 per cent’ test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.

- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

These amendments had no impact on the interim unaudited condensed consolidated financial statements of the Group.

### 3. REVENUE AND SEGMENT INFORMATION

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

An analysis of the Group's revenue for the six months period ended 30 June 2022 and 30 June 2021 are as follows:

	<b>Six months period ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Service revenue	147,934	169,136
License fee revenue	1,231	1,478
Trading income	28,668	42,194
	<u>177,833</u>	<u>212,808</u>

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

Specifically, the Group's reportable segments under HKFRS 8 *Operating Segments* are as follows:

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

## Disaggregation of revenue from contracts with customers

	Six months period ended 30 June 2022 (unaudited)			
	Interior design services <i>HK\$'000</i>	Interior decorating and furnishing services <i>HK\$'000</i>	Product design services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Geographical markets</b>				
Hong Kong	9,255	1,568	–	10,823
PRC	119,708	33,731	475	153,914
Other regions	12,162	178	756	13,096
	<u>141,125</u>	<u>35,477</u>	<u>1,231</u>	<u>177,833</u>
<b>Timing of revenue recognition</b>				
Over time				
Service revenue	<u>141,125</u>	<u>6,809</u>	<u>–</u>	<u>147,934</u>
At point in time				
License fee revenue	–	–	1,231	1,231
Trading income	<u>–</u>	<u>28,668</u>	<u>–</u>	<u>28,668</u>
	<u>–</u>	<u>28,668</u>	<u>1,231</u>	<u>29,899</u>
	<u>141,125</u>	<u>35,477</u>	<u>1,231</u>	<u>177,833</u>



## Six months period ended 30 June 2021 (unaudited)

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

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

### Segment revenue and results

	Interior design services <i>HK\$'000</i>	Interior decorating and furnishing services <i>HK\$'000</i>	Product design services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the six months period ended</b>				
<b>30 June 2022 (unaudited)</b>				
<i>Revenue</i>				
Segment revenue from external customers	<u>141,125</u>	<u>35,477</u>	<u>1,231</u>	<u>177,833</u>
<i>Results</i>				
Segment results	<u>(19,501)</u>	<u>(10,470)</u>	<u>709</u>	<u>(29,262)</u>
Unallocated expenses ( <i>Note 1</i> )				(4,090)
Interest income				224
Finance costs				<u>(1,719)</u>
Loss before taxation				<u>(34,847)</u>
	Interior design services <i>HK\$'000</i>	Interior decorating and furnishing services <i>HK\$'000</i>	Product design services <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>For the six months period ended</b>				
<b>30 June 2021 (unaudited)</b>				
<i>Revenue</i>				
Segment revenue from external customers	<u>158,827</u>	<u>52,503</u>	<u>1,478</u>	<u>212,808</u>
<i>Results</i>				
Segment results	<u>10,658</u>	<u>3,845</u>	<u>950</u>	15,453
Unallocated expenses ( <i>Note 1</i> )				(4,764)
Changes in fair value of financial assets at fair value through profit or loss (“FVTPL”)				2,214
Interest income				372
Finance costs				<u>(2,078)</u>
Profit before taxation				<u>11,197</u>

*Notes:*

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

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

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

	<b>Six months period ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Net impairment losses recognised in respect of		
— trade receivables	<b>7,985</b>	1,746
— contract assets	<b>1,032</b>	3,293
	<b>9,017</b>	<b>5,039</b>

The basis of determining the data, assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months period ended 30 June 2022 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.

## 5. INCOME TAX EXPENSE

	Six months period ended 30 June	
	2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Current tax:		
Hong Kong Profits Tax	–	107
PRC Enterprise Income Tax	<u>4,999</u>	<u>9,824</u>
	<u>4,999</u>	<u>9,931</u>
Under provision in prior years:		
Hong Kong Profits Tax	–	180
PRC Enterprise Income Tax	<u>98</u>	<u>–</u>
	<u>98</u>	<u>180</u>
Deferred taxation	<u>(3,835)</u>	<u>(2,972)</u>
	<u><u>1,262</u></u>	<u><u>7,139</u></u>

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

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

Deferred tax for both periods arose from temporary differences arising from accelerated tax depreciation, allowance for credit losses, tax losses and unrealised profits.

## 6. (LOSS) PROFIT FOR THE PERIOD

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

	<b>Six months period ended 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Amortisation of intangible assets		
— included in cost of sales	<b>104</b>	134
— included in administrative expenses	<b>116</b>	122
	<b>220</b>	256
Changes in fair value of financial assets at FVTPL	–	(2,214)
Cost of inventories recognised as an expense	<b>19,370</b>	25,854
Depreciation of property, plant and equipment	<b>6,535</b>	6,738
Depreciation of right-of-use assets	<b>12,594</b>	13,170
Exchange loss (gain), net	<b>1,851</b>	(1,108)
Interest income from banks	<b>(224)</b>	(372)
Interest on bank borrowings	<b>745</b>	850
Interest on lease liabilities	<b>974</b>	1,228
Loss on disposals of property, plant and equipment	<b>16</b>	10
Gain on lease modification	–	(2,135)
Grants received from local government ( <i>Note 1</i> )	<b>(78)</b>	(749)
PRC incentive rebates ( <i>Note 2</i> )	<b>(79)</b>	(2,095)

### Notes:

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



The computation of diluted loss per share for the six months period ended 30 June 2022 did not assume the conversion of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share for the period.

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

During the six months period ended 30 June 2022, the Group acquired property, plant and equipment of HK\$385,000 (six months period ended 30 June 2021: HK\$4,656,000) mainly comprised of office equipment, leasehold improvement and motor vehicles for business operations and expansion.

During the six months period ended 30 June 2022, the Group entered into new lease agreements for the use of properties ranging from 3 to 5 years and recognised right-of-use assets of HK\$1,648,000 and lease liabilities of HK\$1,648,000 on lease commencement. During the six months period ended 30 June 2021, the Group did not enter into new lease agreements.

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

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
<b>Financial assets at FVTPL</b>		
— Unlisted fund investments	—	30,300

## 11. TRADE RECEIVABLES

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Trade receivables	157,861	162,366
Less: allowance for credit losses	(42,819)	(38,585)
Trade receivables (net carrying amount)	115,042	123,781
Unbilled receivables (Note)	87,515	75,916
Less: allowance for credit losses	(28,165)	(27,106)
Unbilled receivables (net carrying amount)	59,350	48,810
	<b>174,392</b>	<b>172,591</b>

Note: Unbilled receivables primarily relate to the Group's unconditional right to consideration for work completed in achieving specified milestones as stipulated in the contracts but the related invoices have not yet been issued as at the period end.

Included in the carrying amount of trade receivables as at 30 June 2022 is an amount of HK\$12,770,000 (31 December 2021: HK\$12,581,000) 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.

	<b>At 30 June 2022 HK\$'000 (Unaudited)</b>	<b>At 31 December 2021 HK\$'000 (Audited)</b>
0 to 30 days	<b>25,960</b>	47,195
31 to 90 days	<b>19,714</b>	19,026
91 to 180 days	<b>7,713</b>	12,019
181 days to 1 year	<b>27,945</b>	11,734
Over 1 year	<b>33,710</b>	33,807
	<b><u>115,042</u></b>	<b><u>123,781</u></b>

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

As at 30 June 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$115,042,000 (31 December 2021: HK\$123,781,000) which are past due as at the reporting date. Out of the past due balances, HK\$69,368,000 (31 December 2021: HK\$57,560,000) 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. As at 30 June 2022, the Group's trade receivables of HK\$10,912,000 (31 December 2021: Nil) are collateralised by certain PRC properties of customers, of which HK\$6,326,000 are related to debtors with balances due over 1 year.

The basis of determining the inputs and assumptions and the estimation techniques for the assessment of the impairment losses under expected credit loss model used in the condensed consolidated financial statements for the six months period ended 30 June 2022 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021.



## 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Other receivables	10,504	5,761
Value-added tax recoverable	4,145	5,050
Prepayments of expenses	6,334	3,363
Rental deposits	6,458	6,595
PRC tax rebates	2,676	4,916
Deposits paid for acquisition of property, plant and equipment	57	347
Other deposits	707	658
	<u>30,881</u>	<u>26,690</u>
Analysed as:		
Current	24,366	19,748
Non-current — Deposits paid for acquisition of property, plant and equipment	57	347
Non-current — Rental deposits	6,458	6,595
	<u>30,881</u>	<u>26,690</u>

## 13. CONTRACT ASSETS AND CONTRACT LIABILITIES

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
<b>Contract assets</b>		
Interior design services	88,627	80,386
Interior decorating and furnishing services	3,195	4,071
Less: allowance for credit losses	(18,735)	(18,474)
	<u>73,087</u>	<u>65,983</u>

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in satisfying respective performance obligations as at the reporting date in respect of the design services. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group achieve specified milestones as stipulated in the contracts.

Included in the carrying amount of contract assets as at 30 June 2022 is an amount of HK\$2,633,000 (31 December 2021: HK\$2,314,000) from related parties controlled by a controlling shareholder of the Company.

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
<b>Contract liabilities</b>		
Interior design services	8,171	10,486
Interior decorating and furnishing services	<u>19,727</u>	<u>14,867</u>
	<u><b>27,898</b></u>	<u><b>25,353</b></u>

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

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

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

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
0 to 180 days	17,952	26,726
Over 180 days	<u>11,187</u>	<u>10,270</u>
	<u><b>29,139</b></u>	<u><b>36,996</b></u>

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

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Accrued staff benefits	9,760	20,610
Deposits received from customers	128	127
Other payables and accrued charges	<u>7,646</u>	<u>6,440</u>
	<u><b>17,534</b></u>	<u><b>27,177</b></u>

## 15. BANK BORROWINGS

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
The carrying amounts of the bank loans that contain a repayment on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment dates set out in the loan agreements are within one year	<u>50,000</u>	<u>20,000</u>

As at 30 June 2022, included in the Group's borrowings are variable-rate borrowings of HK\$50,000,000 carrying interest ranging from 2.5% to 3.75% (31 December 2021: 3.25%) per annum over Hong Kong Interbank Offering Rate ("HIBOR").

## 16. SHARE CAPITAL

	Number of shares	HK\$
Ordinary shares of the Company of HK\$0.01 each		
<b>Authorised</b>		
At 1 January 2021 (audited), 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u>4,000,000,000</u>	<u>40,000,000</u>
<b>Issued and fully paid</b>		
At 1 January 2021 (audited)	1,140,918,000	11,409,180
Issue of shares upon exercise of share options ( <i>Note</i> )	<u>483,000</u>	<u>4,830</u>
At 31 December 2021 (audited) and 30 June 2022 (unaudited)	<u>1,141,401,000</u>	<u>11,414,010</u>

*Note:* 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.

## 17. PLEDGE OF ASSETS

As at 30 June 2022, no bank deposit (31 December 2021: HK\$558,000) was pledged to a bank to secure a performance bond.

## 18. CAPITAL COMMITMENTS

	<b>At 30 June 2022 HK\$'000 (Unaudited)</b>	<b>At 31 December 2021 HK\$'000 (Audited)</b>
Capital expenditures in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	<u>49</u>	<u>–</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Market Overview

While the global economy has yet to fully recover from the Coronavirus disease (“**COVID-19**”) pandemic, new challenges have emerged. Since early 2022, the highly transmissible COVID-19 variant, Omicron, has swept across Hong Kong and PRC and triggered large-scale lockdown measures in many provinces and cities in the PRC, coupled with the high commodity prices and the contractionary monetary policy of the United States of America, the resulting elevated inflation and financial and foreign currency market fluctuation, further disrupt the pace of China’s economic recovery, with the real estate market bearing the brunt. According to the statistics report released by National Bureau of Statistics (the “**NBS Report**”), since January 2022, the “Real Estate Climate Index” (房地產開發景氣指數) (100 is the most appropriate level of prosperity) has fallen below 100 for six consecutive months, hitting a five-year low.

In the first half of 2022, the total gross floor area newly constructed and completed in respect of residential properties has dropped 35.4% and 20.6% respectively from the same period last year. The significant drop indicated an increase in the number of projects with prolonged progress, which caused adverse impact on the Group’s revenue for the Period. The report also showed that the total land area acquired by developers has even went down by 48.3%, which gave a hint as to the reason of the decrease in the Group’s newly award projects during the Period.

On the other hand, the financial positions of PRC property developers were further tightened with the resurgent COVID-19 pandemic, weak market sentiment and slowdown of the overall economy. The risk of corporate credit default also affected homebuyers’ confidence in building quality and casted doubts on construction completion. Although a series of easing policies on the property market has been introduced recently, the financing environment in PRC was not really improved. In accordance with the NBS Report, the funds in place for property developers and the total sales amount for residential properties in the first half of 2022 fell by 25.3% and 31.8% respectively, compared with the same period last year.

The resurgence of COVID-19 pandemic cases, slowdown in project progress, lack of consumer confidence, and declining financial resources for property developers have all interacted to compound the already sluggish market situation. As a stakeholder of the property development industry, the Group’s business, which heavily relied on the PRC property market, was compressed during the Period.

## Overall Performance and Business Review

During the Period, the Group faced severe challenge like its peers. The outbreak of Omicron has caused the most severe infections spread since COVID-19 pandemic first emerged, both our Hong Kong and PRC operations were affected by the implementation of related prevention control and quarantine measures across the country. All of the Group's offices have undergone temporary closure at different times, during which the Shanghai office had been closed for nearly two months. Similar situations had been faced by our PRC clients, local government and tax authorities. A number of the Group's undergoing projects were postponed, suspended or even terminated, whereas the number of new projects launched to the market and awarded to the Group decreased amid the COVID-19 pandemic and market atmosphere.

Against the aforesaid backdrop, the total revenue and gross profit of the Group decreased by approximately 16.4% and 30.6% to approximately HK\$177.8 million and HK\$55.4 million respectively (Previous Period: HK\$212.8 million and 79.8 million respectively). Gross profit margin decreased from approximately 37.5% in the Previous Period to approximately 31.2% in the Period, mainly attributable to the increase in the number of projects with prolonged progression and the resulting additional costs. When the Group's turnover declined significantly, the related operating costs still maintained or with slight increment, coupled with the significant reduction in other income from investments and tax rebate, and the exchange loss caused by the Renminbi depreciation during the Period, the Group eventually recorded a net loss of approximately HK\$36.1 million for the Period (Previous Period: net profit of HK\$4.1 million).

Notwithstanding the unsatisfactory performance of the Group for the Period, our remaining contract sum was maintained. As at 30 June 2022, the aggregate remaining contract sum of the Group was approximately HK\$458.4 million (31 December 2021: HK\$422.2 million). The stable contract pipeline will provide a solid backing for the Group, supporting the Group to adapt to and overcome the difficulties in the market turmoil.

Despite the volatile external operating environment, the cash position and liquidity of the Group remains positive. As at 30 June 2022, the bank balances and cash of the Group were approximately HK\$181.1 million (31 December 2021: HK\$246.7 million) and the current ratio was approximately 2.8 (31 December 2021: 3.6). The reduction of bank balances and cash was mainly due to the payment of special dividend for the year ended 31 December 2021 during the Period.

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

	For the six months period ended 30 June 2022					For the six months period ended 30 June 2021				
	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	78.3	34.3	-	112.6	63.4	105.9	46.8	-	152.7	71.8
Private residence project	11.8	0.5	-	12.3	6.9	13.0	1.3	-	14.3	6.7
Hospitality	27.2	0.2	-	27.4	15.4	19.5	0.6	-	20.1	9.4
Commercial project	17.0	0.5	-	17.5	9.8	9.1	3.2	-	12.3	5.8
Others	6.8	-	1.2	8.0	4.5	11.3	0.6	1.5	13.4	6.3
<b>Total</b>	<b>141.1</b>	<b>35.5</b>	<b>1.2</b>	<b>177.8</b>	<b>100.0</b>	<b>158.8</b>	<b>52.5</b>	<b>1.5</b>	<b>212.8</b>	<b>100.0</b>

### ***Interior Design Services***

Revenue for the interior design services decreased by approximately 11.1%, from approximately HK\$158.8 million for the Previous Period to HK\$141.1 million for the Period, accounting for approximately 79.4% of total revenue (Previous Period: 74.6%). Such decrease was mainly attributable to the decrease in newly awarded projects, and slowdown in the overall projects progress during the Period, as a result of the outbreak of the new wave of COVID-19 pandemic which heavily weighed on the property market sentiment. In line with the decrease in revenue, segment gross profit also decreased to approximately HK\$44.8 million (Previous Period: HK\$58.2 million).

As at 30 June 2022, this business segment had a remaining contract sum of approximately HK\$313.6 million (31 December 2021: HK\$294.6 million), which is expected to be realised based on the stages of completion and the general progress of projects in the second half of 2022 and 2023.

### ***Interior Decorating and Furnishing Services***

Revenue for the interior decorating and furnishing services was largely contributed by the trading of interior decorative products, which would be recognised upon delivery of interior decorative products to the physical sites. Since the demand for show flats were adversely impacted by the conservative approach of our clients, and the logistics arrangement of interior decorative products was greatly hindered by the COVID-19 pandemic, the performance of this business segment was significantly affected.

During the Period, revenue for the interior decorating and furnishing services recorded a decrease of approximately 32.4% to approximately HK\$35.5 million (Previous Period: HK\$52.5 million), accounting for approximately 20.0% of total revenue (Previous Period: 24.7%), and the gross profit also decreased from approximately HK\$20.2 million for the Previous Period to approximately HK\$9.5 million for the Period.

As at 30 June 2022, this business segment had a remaining contract sum of approximately HK\$144.8 million (31 December 2021: HK\$127.6 million), which is expected to be realised based on the stages of completion of projects and the delivery of interior decorative products.

Riding on the Group's extensive experience and expertise in interior design, it is expected that the interior decorating and furnishing services segment will remain strong, and will recover from the impact of the COVID-19 pandemic and further contributes to the Group's operation and financial position.

### ***Product Design Services***

Another important segment of the Group's operation is the provision of product design services, which add value to the overall interior design, decorating and furnishing layout of projects, hence enhancing customer satisfaction, being the Group's important marketing and branding strategies. During the Period, the segment continued to perform steadily, with revenue reaching approximately HK\$1.2 million (Previous Period: HK\$1.5 million).

## **Financial Review**

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

During the Period, the Group's revenue decreased by approximately HK\$35.0 million or 16.4%, from approximately HK\$212.8 million for the Previous Period to approximately HK\$177.8 million for the Period. Revenue from interior design services decreased from approximately HK\$158.8 million for the Previous Period to approximately HK\$141.1 million for the Period. Revenue from interior decorating and furnishing services decreased from approximately HK\$52.5 million for the Previous Period to approximately HK\$35.5 million for the Period. The decrease in revenue of the Group was mainly contributed by the decrease in newly awarded projects and slowdown in projects progress during the Period as described under the section headed "Overall Performance and Business Review" of this announcement.



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

**Revenue and Gross Profit by Segment**

	Six months period ended 30 June 2022 (Unaudited)			Six months period ended 30 June 2021 (Unaudited)		
	Revenue <i>HK\$</i> <i>million</i>	Gross profit <i>HK\$</i> <i>million</i>	Gross profit margin	Revenue <i>HK\$</i> <i>million</i>	Gross profit <i>HK\$</i> <i>million</i>	Gross profit margin
Interior design services	141.1	44.8	31.8%	158.8	58.2	36.6%
Interior decorating and furnishing services	35.5	9.5	26.8%	52.5	20.2	38.5%
Product design services	1.2	1.1	91.7%	1.5	1.4	93.3%
Total	<u>177.8</u>	<u>55.4</u>	<u>31.2%</u>	<u>212.8</u>	<u>79.8</u>	<u>37.5%</u>

The Group's gross profit decreased by approximately HK\$24.4 million or 30.6%, from approximately HK\$79.8 million for the Previous Period to approximately HK\$55.4 million for the Period, while gross profit margin decreased to approximately 31.2% (Previous Period: 37.5%). The decrease was primarily due to the increase in the number of projects with prolonged progression and the resulting additional costs during the Period. Other than the increase in cost of sales as mentioned above, in particular for the interior decorating and furnishing segment, the overall material costs have also increased during the Period as a result of the global supply chain difficulties. It is expected that this may continue to affect the segment performance for a period of time in the foreseeable future.

The following states the Group's remaining contract sum and its movement during the Period:

	Six months period ended 30 June 2022			Six months period ended 30 June 2021		
	Interior design services <i>HK\$ million</i>	Interior decorating and furnishing services <i>HK\$ million</i>	Total <i>HK\$ million</i>	Interior design services <i>HK\$ million</i>	Interior decorating and furnishing services <i>HK\$ million</i>	Total <i>HK\$ million</i>
Remaining contract sum at the beginning of the period	294.6	127.6	422.2	281.0	212.4	493.4
Add: New contract sum awarded during the period	208.0	107.5	315.5	250.2	92.5	342.7
Less: VAT for newly awarded contracts	(10.7)	(11.7)	(22.4)	(13.1)	(10.7)	(23.8)
Less: Revenue recognised during the period	(141.1)	(35.5)	(176.6)	(158.8)	(52.5)	(211.3)
Less: Purchase made	-	-	-	-	(2.2)	(2.2)
Less: Variation order	(29.8)	(37.4)	(67.2)	(31.2)	(3.8)	(35.0)
(Less) add: Exchange realignments	(7.4)	(5.7)	(13.1)	5.8	1.4	7.2
Remaining contract sum at the end of the period	<u>313.6</u>	<u>144.8</u>	<u>458.4</u>	<u>333.9</u>	<u>237.1</u>	<u>571.0</u>

Compared with the Previous Period, the new contract sum awarded for the Period decreased while the negative variation order increased under the unfavourable market sentiment. As the amount of new contract sum awarded during the Period were greater than that of completed, reduced or terminated, the remaining contract sum for both interior design services and interior decorating and furnishing services increased from approximately HK\$294.6 million and HK\$127.6 million as at 31 December 2021 to approximately HK\$313.6 million and HK\$144.8 million as at 30 June 2022, respectively.

### **Other Gains and Losses**

The Group recorded other losses of approximately HK\$1.9 million for the Period as compared with the other gains of approximately HK\$5.4 million for the Previous Period, which were primarily due to the absence of fair value gain of the financial assets at fair value through profit or loss subsequent to the redemption of all investment funds in 2021 and January 2022, absence of gain on lease modification, and the change from net exchange gain in the Previous Period to net exchange loss in the Period as a result of the depreciation of Renminbi.

### ***Impairment Losses on Trade Receivables and Contract Assets Under Expected Credit Loss Model***

The impairment losses on trade receivables and contract assets for the Period was approximately HK\$9.0 million (Previous Period: HK\$5.0 million), the increase is mainly due to the increased uncertainty on the settlement from clients. For details, please refer to the section headed “Credit Risk Exposure” of this announcement.

### ***Other Income***

Other income mainly includes government grants, the interest income from bank deposits and PRC incentive rebates. The decrease in other income from approximately HK\$5.0 million to approximately HK\$0.9 million during the Period was mainly resulted from the significant decrease in the PRC incentive rebates during the Period upon the decrease in tax liabilities of certain PRC subsidiaries.

### ***Administrative Expenses***

The Group’s administrative expenses increased from approximately HK\$71.9 million to approximately HK\$78.5 million, representing an increase of approximately 9.2% during the Period. The increase was mainly attributable to the rising average salaries of employees.

### ***Finance Costs***

The finance costs comprised interest on lease liabilities and the bank borrowings for financing the Group’s operations. The finance costs of the Group maintained at approximately HK\$1.7 million during the Period (Previous Period: HK\$2.1 million).

### ***Loss/Profit for the Period***

As a result of the foregoing, the Group’s recorded a loss for the Period amounted to approximately HK\$36.1 million (Previous Period: profit of HK\$4.1 million).

### ***Basic Loss/Earnings Per Share***

The Company’s basic loss per share for the Period was approximately HK3.24 cents (Previous Period: earnings per share of HK0.32 cents), the decrease was in line with the reversal of loss from profit for the Period.

## Outlook and Prospects

Looking ahead, the global economic outlook has grown bleaker. Affected by the ongoing COVID-19 pandemic, high commodity prices and supply chain disruptions, the global economy may enter a long period of sluggish growth and high inflation, which raises the risk of stagflation. In light of the pricing pressure, developed countries like United States and Europe have tightened their monetary policies and raised interest rates, which may bring further challenges to emerging countries, including PRC. All these factors could drag the economy into a recession.

The market environment is clouded by uncertainties amid the gloomy economic outlook and COVID-19 pandemic. A number of real estate enterprises will usher in a debt repayment peak, while the limited capital is also an important factor hindering the recovery of the industry. In order to stabilise the downward property market, China's real estate measures have recently turned from tight to loose. Whereas the market has not experienced a substantial reversal at present, it is anticipated that the central government of PRC will step up the rescue policies benefiting both homebuyers and property developers with the aim to restore the market confidence. In view of this, the Group will continue to regard client retention and acquisition as its primary strategic objective in order to maintain its competitiveness, strength its foundation so that the Group can catch up the opportunity when the market recovered.

In the long-run, the Group remains optimistic on the development of PRC property sector. Although PRC government will stand firm on the principle of "houses are for living in, not for speculation", and the era of high profit margin of PRC property sector may have come to an end, the Group believes that the fundamental purpose of macro-control is not to suppress the real estate market, but to crack down on property speculation and achieve a healthy development. Under such circumstances, the Group is confident that, coupled with strong, experienced and professional teams, superb quality of services, reputation and leading position in the interior design industry, the Group's business in PRC market can have a prosperous future.

Lastly, to prepare for future challenges, the Group will stay vigilant and continue to maintain its 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 minimise the risk of credit loss and ensure sufficient operating cashflow. The Group will also keep a close eye on new business initiatives and other opportunities in order to enhance business growth and deliver long-term value 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 headquarters in Hong Kong. The Group has been adhering to the principle of prudent financial management in order to minimise financial and operational risks. The Group mainly relies on internally generated funds, bank borrowings and the net proceeds from the issue of shares by way of the Hong Kong public offering and international placing on 5 July 2018 (the “**Global Offering**”) to finance its operations and expansion.

As at 30 June 2022, the Group's total debt (representing total interest-bearing borrowings excluding lease liabilities arising from the adoption of HKFRS 16) to total asset ratio was approximately 9.1% (as at 31 December 2021: 3.1%). 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 13.8% (as at 31 December 2021: 4.3%). The Group has net cash (bank balances and cash less total debt) of approximately HK\$131.1 million as at 30 June 2022 (as at 31 December 2021: HK\$227.2 million). The reduction in net cash was mainly contributed by the payment of special dividend for the year ended 31 December 2021 and the slowdown of receivables collections from our clients resulted from the rebound of COVID-19 pandemic and lockdown in various cities in the PRC during the Period.

The bank borrowings of approximately HK\$50.0 million as at 30 June 2022 (31 December 2021: HK\$20.0 million) were unsecured and guaranteed by the Company. No bank borrowings were secured by pledged bank deposits. Details are disclosed in note 15 to the condensed consolidated financial information of this announcement. Further costs for operations and expansion will be partially financed by unutilised bank facilities. As at 30 June 2022 and up to this announcement date, the bank borrowings are mainly for financing the Group's daily operation.

The liquidity of the Group maintained strong and healthy as the current ratio (current assets/current liabilities) of the Group as at 30 June 2022 was approximately 2.8 (as at 31 December 2021: 3.6). The Group also has sufficient committed and unutilised loan and working capital facility and guarantee facilities to meet the needs of the Group's business development. The Group will cautiously seek development opportunities with a view to balancing the risk and opportunity in maximising shareholders' value.

As at 30 June 2022, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.4 million (as at 31 December 2021: HK\$11.4 million) and approximately HK\$362.8 million (as at 31 December 2021: HK\$466.9 million), respectively.

## **Pledge of Assets**

The Group did not have any pledge of assets as at the end of the Period. As at 31 December 2021, a bank deposit of approximately HK\$558,000 was pledged to a bank to secure a performance bond. For details, please refer to note 17 to the condensed consolidated financial information of this announcement.

## **Contingent Liabilities and Capital Commitments**

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

## **Exposure to Fluctuations in Exchange Rates and Interest Rates**

The Group's bank borrowings as at 30 June 2022 were in Hong Kong dollars and have been made at floating rates. The Group operates in various regions under different foreign currencies, including Renminbi and United States Dollar. The exchange rate of the United States Dollar was relatively stable while that of Renminbi was more volatile during the Period. The Group currently has no hedging arrangements for foreign currencies or interest rates. The Group reviews the currency exchange risks regularly and closely monitors the fluctuation of foreign currencies. The Group will make proper adjustments and consider hedging arrangements if necessary.

## **Credit Risk Exposure**

The Group's credit risk is primarily attributable to its trade receivables and contract assets. Although the Group's major clients are institutional organisations and reputable property developers, due to forward-looking uncertainties arising from the external market and financing environment, and the unpredictable development trend of COVID-19 pandemic, the credit risk continued to maintain at high level.

The Group has adopted prudent credit policies to deal with credit risk exposure. The Group has performed continuous credit evaluation of the financial conditions of our clients and other monitoring procedures to ensure that appropriate follow-up actions taken to recover any overdue debts. Although the Group generally does not grant any credit period to our clients, for some specific individual clients, credit period is considered on case-by-case basis. The Group performs monthly review on ageing periods of receivables and quarterly review of project progress, and takes debts recovery actions for long aged debts or slow-moving projects unless the Group has reasonable and supportable information justifying not to do so. The Group will also actively seek collaterals for trade receivables from client group with significantly increased credit risk or credit-impaired.

The Group reviews the recoverable amount of trade receivables and contract assets on a collective basis other than significant balances or credit-impaired which are reviewed individually, so as to ensure that adequate impairment losses would be made for irrecoverable amounts. In the impairment loss assessment, the Group takes into account the characteristics and credit risks of different clients, ageing analysis, historical and subsequent settlement, any litigations or business disputes with clients, and other observable changes in economic conditions that correlate with default on receivables. By reference to historical settlement record, normally it takes approximately 3 years for the Group to collect its outstanding debts. Despite seemingly longer recovery period, in general, the Group can subsequently collect and/or realise most of the trade receivables and contract assets through the Group's debt collection mechanism.

As at 30 June 2022, trade receivables and contract assets (in gross amount) increased by approximately HK\$7.1 million and HK\$7.4 million, respectively, mainly resulted from the rebound of COVID-19 pandemic and lockdown in various cities in the PRC during the first half of 2022, which dragged down the project progress, invoicing and payments. As at 30 June 2022, the accumulated allowance for credit losses was approximately HK\$89.7 million (31 December 2021: HK\$84.2 million), among which the accumulated allowance for credit losses for trade receivables and contracts assets were approximately HK\$71.0 million (31 December 2021: HK\$65.7 million) and HK\$18.7 million (31 December 2021: HK\$18.5 million), which represented an average loss rate of 26.6% (31 December 2021: 26.1%). The increase in the overall accumulated allowance and average loss rate is mainly due to the increased uncertainty on the settlement from clients. As of the date of this announcement, HK\$12.1 million of the trade receivables as at 30 June 2022 have been subsequently settled.

Based on the Group's review of the project progress, ageing period, settlement record and financial positions of clients, and other available forward-looking information as mentioned above, the Directors believe that the impairment loss assessment on the trade receivables and contract assets as at 30 June 2022 has been performed appropriately and sufficient impairment losses has been made.

Saved as disclosed above, there is no other significant credit risk exposure. The Directors understand that market conditions are getting worse and the projects and payment cycle are getting longer. The Group's management will continue to review the recoverability of trade receivables and contract assets and closely monitor the financial position and creditability of our clients in response to the rapid changing market and business environment.

## **Risk Management**

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

## **Events After the Reporting Period**

There are no significant events subsequent to 30 June 2022 which may materially affect the Group's operating and financial performance up to the date of this announcement.

## **Employees and Remuneration Policies**

As at 30 June 2022, the Group had approximately 550 (as at 30 June 2021: 556) full-time employees. The total remuneration of the employees (including the Directors' remuneration) were approximately HK\$122.1 million for the Period (Previous Period: HK\$116.7 million). The increase in total remuneration of the employees was mainly due to the increase in the average salaries of the employees. The Group offers attractive remuneration policy, discretionary bonus and share options will also be granted to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides external training programmes which are complementary to certain job functions.

## **Significant Investments/Material Acquisition and Disposals**

The Group did not hold any significant investments as at 30 June 2022. As at 31 December 2021, the Group held the investment fund of Cithara Global Multi-Strategy SPC — Cithara Series One Fund SP of approximately HK\$30.3 million, and the fund was fully redeemed in January 2022 at a redemption price closed to its carrying value. The Group has no further investment plan after the redemption of all the investment funds under the current volatile investment market. The Group's management, investment committee and the Board will review investment opportunities and market risk from time to time, and monitor the financial position of the Group in order to balance the risk and investment opportunities in maximising shareholders' value.

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

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

The Group did not have any solid plans for material investments and capital assets as at 30 June 2022.



## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **INTERIM DIVIDEND**

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

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

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

### **CORPORATE GOVERNANCE**

The Group 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 Group and its ability to attract investment, protect the rights of shareholders and stakeholders, and create values for shareholders. The Group's corporate governance policy is designed to achieve these objectives and is maintained through a framework of processes, policies and guidelines.

During the Period, the Company has adopted and applied the principles of and complied with the code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Listing Rules.

The Board will review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

### **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code for securities transactions by directors and employees (the "**Securities Code**") with standards no less exacting than that of the model code set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Having made specific enquiries, all Directors and relevant employees of the Group confirmed that they have complied with the Securities Code and the Model Code during the Period and up to the date of this announcement.

## 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 since 5 July 2018. The net proceeds from the Global Offering amounted to HK\$195.0 million (after deducting underwriting fees and commissions and all related expenses) (the “**Net Proceeds**”). The Net Proceeds are intended to be applied in accordance with the proposed application as disclosed in the Prospectus and the announcement regarding the change in use of proceeds dated 6 June 2019 and 16 November 2021 respectively. As at 30 June 2022, the Net Proceeds received were applied as follows:

	Original allocation of Net Proceeds <i>HK\$ million</i>	Reallocation of unutilised Net Proceeds on 6 June 2019 <i>HK\$ million</i>	Reallocation of unutilised Net Proceeds on 16 November 2021 <i>HK\$ million</i>	Utilised Net Proceeds up to 31 December 2021 <i>HK\$ million</i>	Unutilised Net Proceeds up to 31 December 2021 <i>HK\$ million</i>	Utilised Net Proceeds during the Period <i>HK\$ million</i>	Unutilised Net Proceeds up to 30 June 2022 <i>HK\$ million</i>
Strengthening our interior design services and developing specialisation	67.0	(28.1)	-	(38.9)	-	-	-
Further developing our interior decorating & furnishing services	31.1	7.2	-	(37.0)	1.3	(0.6)	0.7
Pursuing growth through selective mergers and acquisitions	28.4	11.6	(40.0)	-	-	-	-
Improving our information technology systems	22.1	(5.7)	-	(16.4)	-	-	-
Repaying existing bank borrowings	19.0	-	-	(19.0)	-	-	-
Enhancing our brand recognition	11.0	-	-	(9.9)	1.1	(1.1)	-
Further developing our product design services	3.1	-	-	(3.1)	-	-	-
Working capital and other general corporate purposes	13.3	-	40.0	(28.0)	25.3	(25.3)	-
Developing a new brand (“ <b>SL2.0</b> ”) and teams for middle-end and specialised interior design services market	-	15.0	-	(15.0)	-	-	-
Total	<u>195.0</u>	<u>-</u>	<u>-</u>	<u>(167.3)</u>	<u>27.7</u>	<u>(27.0)</u>	<u>0.7</u>

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

## AUDIT COMMITTEE REVIEW

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

## **PUBLICATION OF INTERIM RESULT ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is available for reviewing on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sldgroup.com>) and the interim report for the Period containing also the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

## **APPRECIATION**

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

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

Hong Kong, 28 July 2022

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