DESIGN WITHOUT LIMITS

STEVE LEUNG DESIGN GROUP LIMITED

ANNUAL REPORT 2022

Stock Code : 2262

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

LEUNG Chi Tien Steve (Appointed on 14 February 2023)
SIU Man Hei *(Chief Executive Officer)*
YIP Kwok Hung Kevin *(Chief Financial Officer)*
DING Chunya
KAU Wai Fun (Resigned on 14 February 2023)

Non-Executive Directors

XU Xingli *(Chairman)*
DING Jingyong

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

JOINT COMPANY SECRETARIES

YIP Kwok Hung Kevin *(Chief Financial Officer)*
KO Wan Ting (Appointed on 30 October 2022)
CHOI Mei Bik (Resigned on 30 October 2022)

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'S STATEMENT

Dear Shareholders,

It is my pleasure to present you with our annual report for the year ended 31 December 2022 (the "**Year**") 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**").

The 25th anniversary of the Group, which should have been a cause for celebration, has turned into our most challenging year yet. As earlier strains of COVID-19 gave way to the highly contagious Omicron variant, governments here and in Mainland China enacted a series of measures to fight the pandemic. While Hong Kong reached a pandemic state resembling herd immunity by June 2022, the situation proved different in China. There, various cities and provinces went through months of lockdown, until the Chinese authorities relented and lifted most COVID measures when the year came to an end. While we are not able to report a profit for the Year, we are proud to have delivered all we could in a year defined by adversity, setbacks and — all too often — even personal tragedies.

The lingering pandemic and the unpredictability of the lockdowns added further pressure on the real estate sector, which continued to be affected by regulations aimed at dampening speculation and limiting the indebtedness of developers. While the "Three Red Lines" policy limited access to financing, talks about "common prosperity" contributed to dampening new investments, just as nervous buyers fearful of COVID and concerned about completion stayed on the side-lines.

Still, we are cautiously confident that the worst is now behind us. The lifting of many pandemic measures, including the opening of the country's borders and the elimination of quarantine requirements, has injected new life in the economy. Meanwhile, the year ended with a flurry of good news for the real estate sector. After introducing a number of measures specifically aimed at reviving the real estate sector in November 2022, regulators have also indicated their willingness to ease the three red lines and liberalise some mortgage rates. While we don't expect a return to the exuberance of the last twenty years, we expect that these measures will contribute to the rehabilitation of an important economic sector. This is done by ensuring viable projects can obtain financing, developers can complete unfinished properties, and buyers can take possession of their home. In any event, the push towards quality and sustainability over quantity can only be good for our Group as it reflects both our philosophy and business approach.

The pandemic also made us realise the important role we have to play in nurturing the next generation as we seek to expand overseas. Initiatives like the Steve Leung Travelling Scholarship — a project that funds students' design-focused trips overseas; and our design tours and design-sharing sessions are all instrumental in informing our vision for a future that extends beyond China and Asia.

Finally, on behalf of the Board, we would like to thank our shareholders, clients, business partners, and, most importantly, our professional teams for their dedication, unwavering support and resilience in such difficult circumstances. As an industry leader that is the custodian of an established brand, and with the proven capability to overcome obstacles, we are confident that our future is bright and are grateful to you for joining us in this journey.

XU Xingli
Chairman

28 March 2023

FOUNDER'S STATEMENT

Dear Shareholders and Colleagues,

For the third year in a row, we had to live under the long shadow casted by the COVID-19 pandemic. But while we have been, compared to the rest of the world, relatively fortunate until this year, it was perhaps inevitable that the efforts made by Hong Kong and China to thwart the disease could not keep us safe forever. The dam broke for good in early 2022, as Omicron brought first our city, and then most of China, to a griding halt.

That this catastrophic pandemic peaked on the 25th anniversary of the Group, is yet another reminder that we cannot afford to take anything for granted. Still, while our celebrations may have been more muted than what we had planned for, I must say that I have never been prouder of our people than last year. I always knew of their talent and creativity, but have been humbled once more by their resilience, dedication and ability to overcome obstacles to get things done.

Looking back, I would have never expected that our small design start-up would grow to become one of Asia's largest design firms and a listed company on one of the world's most prominent stock exchanges. From our first show flat in Symphony Bay, the 2003 rebranding of Fairwood restaurants, our work with YOO, our cross-cultural achievements with Ta-Ke and Inkstone for Neutra, to more recently, the McDonald's CUBE concept that earned us a prestigious DFA Design for Asia Award, our "*Design Without Limits*" philosophy has helped us reached new heights on a yearly basis. This inspiring journey of creativity also validates our distinctive culture and design DNA – "artistic interpretation with rational analysis". Design is not only pure art, but it is also a practical solution at the service of clients and final users. While the artistic elements of design are crucial, a good design must first be based on a thoroughly rational assessment of the practical needs of a client and be executed in a way that enhances the living, working or playing standards that a project inevitably impacts. It is then, and only then, that we can say we have succeeded.

The pandemic also brought home another important lesson: human beings yearn for the same things, whether they live in Beijing or Berlin. While China will remain our priority, "*Design Without Limits*" inspires us to spread our wings and look elsewhere too. From luxury residential developments and high-end hotels, to multifaceted restaurants and exclusive product collaborations with international brands, our track record of breaking design boundaries suggests that our vision also resonates globally. So expect to see us pop up in new markets in the years ahead.

On behalf of the Group, I would like to thank all of our designers and colleagues for their hard work throughout this most difficult year. I also want to express my utmost gratitude to our customers, investors and business partners for their unwavering support during what has also been a very difficult period for them. I am confident that we will emerge stronger, and remain more convinced than ever about the uniting and healing power of good design, especially in time of adversity. Let's all "Enjoy Life, Enjoy Design" in 2023!

Steve Leung
Founder

28 March 2023

MILESTONES

1997 - 2007

1997
Founded Steve Leung Architects Ltd. (SLA) and Steve Leung Designers Ltd. (SLD)

2000
Set up our first Mainland office in Shanghai to venture into the market of Mainland China

2007
Held "50 20 10 Steve Leung Design Exhibition" in Hong Kong and Shanghai

2008 - 2015

2008
Established "Steve Leung Travelling Scholarship" to nurture young design talents

2012
Held "Hong Kong Design • Design Hong Kong" exhibition in Hong Kong showcasing the evolution and milestones of Hong Kong design industry

Debuted our first product design in Salone del Mobile, Milano - "Inkstone" bathroom collection with Neutra

2013
Joined YOO and created the brand Steve Leung & YOO

2014
- Joined Jangho Group, a multi-branded corporation in China to develop new business opportunities
- Set up Steve Leung Hospitality (SLH) for hospitality design
- Set up Steve Leung Exchange (SLX) as a design collaboration platform with renowned overseas designers

2015
Set up Steve Leung Lifestyle (SLL) for interior decorating

2016 - 2023

2016

- Acquired Jangho Design (formerly known as "Gangyuan Design") as our subsidiary company
- Set up Steve Leung Casa (SLC) to create bespoke luxury private residences

2018

- Listed on the Main Board of the Hong Kong Stock Exchange (SEHK: 2262)

- Set up Steve Leung Wellness (SLW) to create all-age, well and green interior environment for clients

2019

- Hong Kong headquarters awarded WELL Certified™ at Gold level
- Set up SL2.0 to provide quality interior design and furnishing services to the new generations and urban professionals

2020

- Ranked as the World's No.1 Residential Design Firm for the 4th time by Interior Design Top 100 Giants, and Top 20 in overall global ranking
- Launched SLD+, SLD's Corporate Culture Centre in Shanghai and organised "Design Re:Collections" exhibition

2022

- Awarded the Top 500 China Real Estate Enterprises Award - Best Interior Design Firm for the 4th time

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

After performing well in 2021, People's Republic of China (the "**PRC**"), having emerged relatively unscathed from the first few waves of the pandemic, finally ushered in a full-scale outbreak in 2022 just as the global economy was beginning its recovery. With the highly contagious Omicron variant spreading like wildfire throughout the country from early 2022 onward, the PRC government began enforcing a series of recurring and progressively larger lockdowns across many cities and provinces in an attempt to contain the virus. From Shenzhen and Guangzhou to Shanghai and Beijing, the entire country was brought to a virtual standstill. It was not until the very end of the Year that the PRC government adjusted course, announcing a series of measures that rolled back some of its anti-COVID-19 restrictions, a process that has been continuing in early 2023.

The ravaging pandemic and continuous lockdowns triggered a drop in real estate sales. As a result, the 100 largest developers recorded RMB7.6 trillion in sales in 2022, down 41.3% from 2021 as per the China Index Academy. By comparison, sales of these same developers only contracted 3% in 2021. The drop further compounded the effect of the credit restrictions imposed on developers, most of whom are dependent on homebuyers' deposits to fund operations. Meanwhile, surging commodity prices and rising US interest rates further dampened the PRC's recovery, with GDP growing only 3%, the second slowest rate in almost half a century. The real estate industry — one of the country's main growth engines — was heavily impacted.

The PRC government has been signalling its willingness to stabilise the sector. After introducing a series of easing measures in November 2022, it also lowered the floor on certain mortgage rates while hinting at the relaxing of the "3 red lines" that have effectively made it virtually impossible for developers to secure new loans.

Given the above, it's not surprising that 2022 proved to be a challenging year for the Group. However, as the Chinese saying goes, 'out of chaos comes order', and we are confident that following the lifting of most anti-pandemic measures, GDP growth will resume in earnest in 2023 and will rebound to 5% as per the Report of the Work of the Government delivered at the National People's Congress of PRC in early 2023. Meanwhile, incentives introduced to support the real estate sector, a more benign financing environment, and the return of buyers will support the recovery of what remains a key economic sector for the PRC. As interior design is increasingly perceived as a key differentiating factor and given the strength of our brand, we believe that we are well positioned as growth resumes.

BUSINESS AND OPERATIONAL REVIEW

During the Year, the Group faced severe challenges, as did most of our industry peers. With Omicron variant spreading fast, far and wide, both our Hong Kong and PRC operations were disrupted as stringent prevention, control and quarantine measures were imposed across the country. All our offices were forced to close temporarily — if not all at the same time — and our Shanghai office shut down for nearly two months. Our PRC clients suffered the same fate. The recurring yet unpredictable nature of the pandemic led to many of our projects being postponed, suspended or even terminated, while the number of new projects introduced to the market and awarded to the Group also decreased substantially amid poor market sentiments.

This challenging environment forced us more than ever to rely on creativity and innovation, our core competencies. We joined McDonald's again to design a third CUBE Flagship Restaurant in Shanghai. Located at McDonald's new headquarters for China, it is the first McDonald's restaurant in the country to receive the LEED platinum certification for sustainability. It also features a bookstore and miniature theatre concept, the result of an exclusive partnership between the McCafé brand and CITIC Books, one of the country's largest book retailers. Overall, revenue from hospitality and commercial projects reached approximately HK$54.2 million and HK$35.3 million for the Year, compared with approximately HK$42.7 million and HK$35.2 million for the year ended 31 December 2021 (the "**Previous Year**").

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

To tap the growing mid-high end residential market in the PRC, we have officially launched SL2.0, a design brand tailored to meet the changing lifestyle expectations of new, younger generation of urbanites. Emphasising high quality home design solutions that reflect the contemporary taste and refined aesthetics embodying today's way of living, SL2.0 has been used in several projects across the PRC. Meanwhile, Mr. Steve Leung showcase new products in Salone del Mobile 2022 in Milan, Italy, which were designed as part of exclusive collaborations with Italian leading furniture brands Visionnaire, Lema and Lualdi.

Despite the massive market disruption caused by COVID-19 during the Year, our remaining contract sums stood at approximately HK$429.5 million (31 December 2021: HK$422.2 million), a pipeline of projects that constitutes a robust foundation for the Group as we emerge from the pandemic.

OVERALL PERFORMANCE

During the Year, the Group recorded a total revenue of approximately HK$381.0 million (Previous Year: HK$455.0 million), representing a decrease of approximately 16.3%. Gross profit decreased by approximately 26.3%, from approximately HK$188.9 million for the Previous Year to approximately HK$139.3 million for the Year, whereas gross profit margin decreased from approximately 41.5% for the Previous Year to approximately 36.6% for the Year, mainly attributable to the increase in cost of sales and decrease in revenue.

Profit/loss for the Year decreased from approximately HK$1.6 million of profit for the Previous Year to approximately HK$59.9 million of loss for the Year, mainly due to the decrease in revenue and gross profit margin primarily as a result of the decrease in the number of projects awarded to the Group and increase in the number of projects with prolonged progression resulting from mass lockdowns, restrictions across the county and massive infection resulted from the outbreak of the new wave of COVID-19 pandemic in Hong Kong and the PRC in 2022; and the change to exchange loss during the Year as compared to the exchange gain during the Previous Year as a result of the depreciation of Renminbi in 2022. Profit/Loss attributable to owners of the Company also decreased from approximately HK$2.9 million of profit for the Previous Year to approximately HK$62.4 million of loss for the Year.

The Board does not recommend the payment of final dividend for the Year (Previous Year: nil final dividend, special dividend of HK5.00 cents per share).

As at 31 December 2022, the Group's total assets were valued at approximately HK$523.1 million (31 December 2021: HK$649.8 million), of which current assets were approximately HK$411.4 million (31 December 2021: HK$536.9 million), being 2.6 times (31 December 2021: 3.6 times) of the current liabilities. Equity attributable to the owners of the Company was approximately HK$326.4 million (31 December 2021: HK$466.9 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 2022					For the year ended 31 December 2021				
	Revenue from Interior Design Services HK$ million	Revenue from Interior Decorating and Furnishing Services HK$ million	Revenue from Product Design Services HK$ million	Total HK$ million	% of total revenue %	Revenue from Interior Design Services HK$ million	Revenue from Interior Decorating and Furnishing Services HK$ million	Revenue from Product Design Services HK$ million	Total HK$ million	% of total revenue %
Residential project	152.2	107.7	–	259.9	68.2	222.4	98.9	–	321.3	70.6
Private residence project	20.1	2.0	–	22.1	5.8	29.0	2.6	–	31.6	6.9
Hospitality	53.3	0.9	–	54.2	14.2	41.1	1.6	–	42.7	9.4
Commercial project	34.2	1.1	–	35.3	9.3	30.1	5.1	–	35.2	7.7
Others	6.6	–	2.9	9.5	2.5	16.2	0.7	7.3	24.2	5.4
Total	266.4	111.7	2.9	381.0	100.0	338.8	108.9	7.3	455.0	100.0

INTERIOR DESIGN SERVICES

The Group delivered quality interior design services throughout the Year, and the signature projects include: Grand Creek Harbour, Dubai; Bay of Modern Art, Xiamen; The Bayview, Guangzhou; Shikigiku Cafe & Bar at Four Seasons, Hong Kong, etc.

Revenue for the interior design services decreased from approximately HK$338.8 million for the Previous Year to approximately HK$266.4 million for the Year, accounting for approximately 69.9% of the total revenue during the Year (Previous Year: 74.5%). Such decrease was mainly attributable to the decrease in newly awarded projects, and slow down in the overall projects progress during the Year, as a result of the outbreak of the Omicron variant which heavily weighed on the property market sentiment. In-line with the decrease in revenue, segment gross profit also decreased to approximately HK$99.3 million (Previous Year: HK$141.0 million).

As at 31 December 2022, this business segment had a remaining contract sum of approximately HK$311.6 million (31 December 2021: approximately HK$294.6 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 stable 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 Suzhou IFS Sky Villa, Suzhou and Bay of Modern Art, Xiamen, etc.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

During the Year, revenue for this segment recorded a slight increase of approximately 2.6% to approximately HK$111.7 million (Previous Year: HK$108.9 million), contributed approximately 29.3% of total revenue (Previous Year: 23.9%). Gross profit for the Year maintained at approximately HK$40.0 million (Previous Year: HK$40.9 million).

As at 31 December 2022, this business segment had a remaining contract sum of approximately HK$117.9 million (31 December 2021: approximately HK$127.6 million), which is expected to be realised based on the stage of completion of projects and the delivery and handover of interior decorative products.

Leveraging on our extensive experience, deep expertise in interior design and the policies stimulating domestic demand and encouraging consumption fostered by the PRC Government, we expect this segment to quickly recover from the impact of the COVID-19 pandemic, and to further contribute to the Group's operation and financial position, especially as the young generation's demand for simple but delicate furnishing — a trend referred to as "light luxury style" — increases further.

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. Signature projects in the Year include Visionnaire — Nature's Jewel Box 2022 and Moorgen — Steve Leung Smart Switch.

During the Year, the segment continued to perform steadily, with revenue reaching approximately HK$2.9 million (Previous Year: HK$7.3 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. The decrease of revenue of this segment was because of the reduction of sale volume of the Group's design product as a consequence of the lockdowns of different cities during the Year.

AWARDS AND ACCREDITATIONS FOR 2022

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

CORPORATE HONOURS

Interior Design Magazine "2022 Top 100 Giants"
Top 5 position in international ranking
Top 20A position in overall global rankings

2022 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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

INTERIOR DESIGN AWARDS

International Design Awards
Silver — Interior Design — Residential — Bay of Modern Art III, Xiamen
Bronze — Interior Design — Restaurants & Bars — God of Teppanyaki, Hong Kong

DFA Design for Asia Awards 2022
Silver Award — Service & Experience Design — McDonald's Concept CUBE

IIDA Best of Asia Pacific Design Awards
Winner — Restaurants, Lounges, and Bars — God of Teppanyaki, Hong Kong
Winner — Residences — Large (95 square meters and above) — Bay of Modern Art, Xiamen
Winner — Residences — Large (95 square meters and above) — Changsha IFS Sky Villa, Changsha

2022 CBDA Decoration Design Awards
1st Prize — Healthcare Engineering — Phase I, Lot B, Lixia Medical & Nursing Center Jinan, Shandong
1st Prize — Commercial Space — Block 1 of Commercial Building, Lot B02C, Sunac Haiyan Hangzhou Bay Cultural Tourism City
1st Prize — Hotel Space — Zhejiang Wyndham Hotels and Resorts
1st Prize — Office Space — Block A1, Guangzhou Jet Bio-Filtration Co., Ltd.

Grand Prix Du Design Paris 2022
Innovative Design — Hotel Space — Intercontinental Resort Jiuzhai Paradise

PRODUCT DESIGN AWARDS

International Design Awards
Gold — Home Interior Products – Switches, Temperature Control Systems — Moorgen x Steve Leung Smart Switch

Red Dot Award 2022
Winner — Moorgen x Steve Leung Smart Switch

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW

REVENUE AND GROSS PROFIT

During the Year, the Group's revenue decreased by approximately HK$74.0 million or 16.3%, from approximately HK$455.0 million for the Previous Year to approximately HK$381.0 million for the Year. Revenue from the interior design services decreased from approximately HK$338.8 million for the Previous Year to approximately HK$266.4 million for the Year, representing approximately 74.5% and approximately 69.9% of the total revenue, respectively. Revenue from the interior decorating and furnishing services increase slightly from approximately HK$108.9 million for the Previous Year to approximately HK$111.7 million for the Year, representing approximately 23.9% and approximately 29.3% 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 2022			For the year ended 31 December 2021		
	Revenue HK$ million	**Gross profit HK$ million**	**Gross profit margin**	Revenue HK$ million	Gross profit HK$ million	Gross profit margin
Interior Design Services	**266.4**	**99.3**	**37.3%**	338.8	141.0	41.6%
Interior Decorating & Furnishing Services	**111.7**	**40.0**	**35.8%**	108.9	40.9	37.6%
Product Design Services	**2.9**	**–**	**0%**	7.3	7.0	95.9%
Overall	**381.0**	**139.3**	**36.6%**	455.0	188.9	41.5%

The Group's gross profit decreased by approximately HK$49.6 million or 26.3%, from approximately HK$188.9 million for the Previous Year to approximately HK$139.3 million for the Year, which was in line with the decrease in revenue for the Year. Gross profit margin decreased to approximately 36.6% (Previous Year: 41.5%), of which the interior design services and interior decorating and furnishing services both showed a decline. The decrease was primarily due to the increase in the number of projects with prolonged progression as an impact of the pandemic and lock down of various cities in the PRC during the Year.

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 2021	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**
Add: New contract sum awarded during the year	**383.5**	**168.3**	**551.8**
Less: VAT for newly awarded contracts	**(19.4)**	**(17.7)**	**(37.1)**
Less: Revenue recognised during the year	**(266.4)**	**(111.7)**	**(378.1)**
Less: Variation order	**(54.0)**	**(37.7)**	**(91.7)**
Less: Exchange realignments	**(26.7)**	**(10.9)**	**(37.6)**
Remaining contract sum as at 31 December 2022	**311.6**	**117.9**	**429.5**

The remaining contract sum for the interior design services increase slightly from approximately HK$294.6 million as at 31 December 2021 to approximately HK$311.6 million as at 31 December 2022 while the remaining contract sum for the interior decorating and furnishing services reduced slightly from approximately HK$127.6 million as at 31 December 2021 to approximately HK$117.9 million as at 31 December 2022.

OTHER GAINS AND LOSSES

The Group recorded other losses of approximately HK$5.1 million for the Year (Previous Year: other gains of HK$5.6 million), which were primarily due to the change from net exchange gain in the Previous Year to net exchange loss in the Year as a result of the depreciation of Renminbi.

IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND CONTRACT ASSETS UNDER EXPECTED CREDIT LOSS ("ECL") MODEL

The impairment losses on trade receivables and contract assets decreased from approximately HK$40.2 million for the Previous Year to approximately HK$30.4 million for the Year. For details, please refer to the section headed "Corporate Finance and Risk Management — Credit Risk Exposure" of this report.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OTHER INCOME

Other income mainly includes government grants, the interest income from bank deposits and the PRC incentive rebates. The decrease of other income from approximately HK$7.2 million to approximately HK$3.2 million during the Year was mainly contributed from the decrease in the PRC incentive rebates during the Year upon the decrease in tax liabilities of certain PRC subsidiaries. For details, please refer to note 8 to the consolidated financial statements of this annual report.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased from approximately HK$151.9 million to approximately HK$163.0 million, representing an increase of approximately 7.3% during the Year. The increase was primarily due to the increase in staff costs from severance payments to employees for layoffs in December 2022 and the increased non-project-related time costs incurred in interior design services as a result of the slow down in the overall projects progress during the Year.

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$3.7 million during the Year (Previous Year: HK$4.0 million). For details, please refer to note 9 to the consolidated financial statements of this annual report.

LOSS/PROFIT FOR THE YEAR

As a result of the foregoing, the Group recorded a loss for the Year amounted to approximately HK$59.9 million (Previous Year: profit of HK$1.6 million).

BASIC LOSS/EARNINGS PER SHARE

The Company's basic loss per share for the Year was approximately HK5.47 cents (Previous Year: earnings of HK0.26 cents), representing a decrease of approximately HK5.73 cents, which was in line with the decrease in profit for the Year. Details of loss/earnings per share are set out in note 15 to the consolidated financial statements of this annual report.

DIVIDEND

The Board does not recommend the payment of final dividend for the Year (Previous Year: nil final dividend; special dividend of HK5.00 cents per share).

OUTLOOK AND PROSPECTS

As we emerge from the COVID-19 pandemic, there are reasons to be optimistic even as challenges abound. PRC's residential market seems to be on the mend, as the area of new residential building transactions in Chinese cities during the new year holiday increased by more than 20% year-on-year, with Beijing, Shanghai, and Guangzhou's transaction areas increasing by 80%, 131%, and 74%, respectively as per the China Index Research Institute. Meanwhile, PRC's financial regulatory authorities appear set to ease the "3 red lines" regulatory criteria that have effectively shut access to loans for real estate developers. Other measures being considered are the establishment of a substantial loan support program to ensure the successful delivery of residential properties as well as special loans to support mergers and acquisitions to reduce risk across the real estate industry. The opening of the country's borders and the elimination of onerous quarantine requirements are other factors likely to support the revival of sector. With the various market stabilisation measures implemented and the recovering market sentiment, the demand for homes as well as the residential market are expected to perk up.

At the same time, having experienced the long isolation period at home during the pandemic, more homeowners are seeking to upgrade their living standards by creating comfortable and stylish homes with unique and functional living spaces that reflect their tastes and lifestyles. As a leading brand known for its quality, creativity and innovative spirit, the Group is ideally positioned to capitalise on this upcoming recovery. We expect both the hospitality and residential markets will lead the way, especially in the first-tier cities of Beijing, Shanghai, Guangzhou and Shenzhen. Meanwhile, we intend to internationalise our revenue streams by looking to launch our brands in new markets in Asia, as well as further consolidate and gradually extend the Group's presence in Europe.

While the COVID-19 pandemic has been very challenging for the Group, the measures that we have taken to reduce costs and increase our focus have laid the foundations for a strong and sustainable growth that will deliver compelling returns to the shareholders of the Company (the "**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 2022, 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 5.7% (Previous Year: 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 9.2% (Previous Year: 4.3%). As at 31 December 2022, the Group had net cash (i.e. bank balances and cash (including pledged bank deposits) less total debt) of approximately HK$123.3 million (Previous Year: 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 slow down of receivables collections from our clients during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

No bank borrowings as at 31 December 2022 were secured by pledged bank deposits and HK$30.0 million bank borrowings were unsecured and guaranteed by the Company. No bank borrowings as at 31 December 2021 were secured by pledged bank deposits and approximately HK$20.0 million bank borrowings were unsecured and guaranteed by the Company. For details, please refer to note 28 to the consolidated financial statements of this annual report. Further costs for operations and expansion will be partially financed by the Group's unutilised bank facilities. As at 31 December 2022 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 2022 was approximately 2.6 (Previous Year: 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 for development opportunities with a view to balancing the risk and opportunity in maximising Shareholders' value.

As at 31 December 2022, the share capital and equity attributable to owners of the Company amounted to approximately HK$11.4 million and approximately HK$326.4 million, respectively (Previous Year: HK$11.4 million and HK$466.9 million, respectively).

PLEDGE OF ASSETS

As at 31 December 2022, no bank deposit was pledged to a bank to secure a performance bond. As at 31 December 2021, a bank deposit of HK$558,000 was pledged to a bank to secure a performance bond. For details, please refer to note 26 to the consolidated financial statements of this annual report.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group did not have any significant contingent liabilities and capital commitments as at 31 December 2022 and 31 December 2021.

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

The Group's bank borrowings as at 31 December 2022 were in Hong Kong dollars 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'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, 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 clients with different historical loss patterns 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 31 December 2022, trade receivables (in gross amount) was approximately HK$263.9 million (31 December 2021: HK$238.3 million), represented an increase of approximately HK$25.6 million while contract assets (in gross amount) remained constant of approximately HK$83.5 million (31 December 2021: HK$84.5 million). The increase in trade receivables was mainly resulted from the rebound of COVID-19 pandemic and lockdowns in various cities in the PRC during the Year, which dragged down the project progress, invoicing and settlements. As at 31 December 2022, the accumulated allowance for credit losses was approximately HK$106.1 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$89.4 million (31 December 2021: HK$65.7 million) and HK$16.7 million (31 December 2021: HK$18.5 million) respectively. The average loss rate was approximately 30.5% (31 December 2021: 26.1%), among which the average loss rate for trade receivables and contract assets were approximately 33.9% (31 December 2021: 27.6%) and 20.0% (31 December 2021: 21.9%) respectively. The increase in the accumulated allowance and average loss rate of trade receivables is consistent with the increase in its gross balance, which is mainly due to the increased uncertainty on the settlement from clients. As of the date of this report, HK$33.2 million of the trade receivables as at 31 December 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 31 December 2022 has been performed appropriately and sufficient impairment losses has been made.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 (include foreign exchange risk and interest rate risk), operation risk, finance risk, policy risk, legal risk, political risk, contract risk and credit risk of clients and the markets.

For details, please refer to the section headed "Corporate Governance Report — Risk Management and Internal Control" of this report.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events subsequent to 31 December 2022 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 annual report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group had 442 (31 December 2021: 562) full-time employees. The total remuneration of the employees (including the Directors' remuneration) were approximately HK$224.8 million for the Year (Previous Year: HK$233.7 million). The decrease of total remuneration of the employees was mainly due to the implementation of hiring freeze or voluntary attrition since mid-2022 as a consequence of the reduction of number of active projects amid the pandemic, and the employee layoffs in December 2022 for the purpose of improving operations effectiveness and efficiency of the Group. Such decrease was partially offset by the increase in costs and severance payments in connection with the layoffs.

To retain our competitiveness, the Group continues to offer 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

The Group did not hold any significant investments as at 31 December 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.

The Group made no material acquisition and disposal of subsidiaries, associates or joint ventures during the Year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any plans for material investments and capital assets as at 31 December 2022.

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 of the Company dated 22 June 2018 (the "**Prospectus**") and the announcements regarding the change in use of proceeds dated 6 June 2019 and 16 November 2021 respectively. As at 31 December 2022, the Net Proceeds received were applied, reallocated and fully utilised as follows:

	Original allocation of Net Proceeds HK$ million	Reallocation of unutilised Net Proceeds on 6 June 2019 HK$ million	Reallocation of unutilised Net Proceeds on 16 November 2021 HK$ million	Utilised Net Proceeds up to 31 December 2021 HK$ million	Unutilised Net Proceeds up to 31 December 2021 HK$ million	**Utilised Net Proceeds up to 31 December 2022 HK$ million**	**Unutilised Net Proceeds up to 31 December 2022 HK$ million**
Strengthening the Group's interior design services and developing specialisation	67.0	(28.1)	–	(38.9)	–	**-**	**-**
Further developing the Group's interior decorating & furnishing services	31.1	7.2	–	(37.0)	1.3	**(1.3)**	**-**
Pursuing growth through selective mergers and acquisitions	28.4	11.6	(40.0)	–	–	**-**	**-**
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	–	–	(9.9)	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	–	40.0	(28.0)	25.3	**(25.3)**	**-**
Developing a new brand (i.e. SL2.0) and teams for middle-end and specialised interior design services market	–	15.0	–	(15.0)	–	**-**	**-**
Total	195.0	–	–	(167.3)	27.7	**(27.7)**	**-**

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Leung Chi Tien Steve (梁志天先生), BBS, aged 65, is the founder of the Group and holds directorship in certain subsidiaries of the Company. He was appointed as an executive Director on 14 February 2023. 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 is a leading architectural, interior and product designer in Hong Kong with over 41 years of experience in the architectural, 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 1981 to 1983. He worked as a building surveyor of the Building Development Department of Hong Kong from 1983 to 1986. Mr. Leung was a director of ARCHITECTS AND DESIGNERS CO. LIMITED (later known as C D U ARCHITECTS, PLANNERS LIMITED), which was dissolved in 1994, from 1987 to 1990. He was also the founder and director of LKI DEVELOPMENT LIMITED (later known as LEUNG & CHOW ARCHITECTS PLANNERS LIMITED), which was deregistered in 2005, from 1990 to 2005.

Mr. Leung was the non-executive director, the chairman and the chairman of the nomination committee of 1957 & Co. (Hospitality) Limited (a company listed on GEM of the Stock Exchange, stock code: 8495) from 2 March 2016 to 19 August 2022.

Mr. Leung is a keen supporter of interior design industry and has held executive roles of major interior design organisations over the years. 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) and was further appointed as the deputy director of development committee since September 2018. He was appointed as the board of directors of C Foundation since December 2014 and as the chairman from December 2016 to December 2017. He was also the President of the International Federation of Interior Architects/Designers from 2017 to 2020.

Mr. Leung also assumes several social positions including the adjunct professor of The University of Hong Kong School of Professional and Continuing Education and the vice chairman of the board of directors of Hong Kong Design Centre since 2022. He was also recognised as an honorary fellow of Vocational Training Council in December 2016. In January 2023, Mr. Leung was appointed as a member of the newly set up Task Force on Promoting and Branding Hong Kong which was led by the Financial Secretary of HKSAR Government. In April 2018, January 2019 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.

In recognition of his notable contributions to the interior design industry of both Hong Kong and the PRC, Mr. Leung is awarded a Bronze Bauhinia Star from the Hong Kong Government in July 2022. He has further received the Hong Kong Interior Design Association Lifetime Achievement Award in October 2022.

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 has been a member of the Hong Kong Institute of Architects and a corporate member of the Royal Institute of British Architects since 1983, an associate of the Royal Australian Institute of Architects since 1984, an Authorised Person (List of Architects) registered with the Building Authority since 1994, and a member of the Hong Kong Institute of Planner since 1992. Mr. Leung is a registered architect of the Architects Registration Board in Hong Kong, a fellow member of the Hong Kong Interior Design Association and a fellow member of the Hong Kong Designers Association.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Siu Man Hei (蕭文熙先生), aged 67, 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 (the "**Risk Management Committee**") and investment committee (the "**Investment Committee**") of the Board, respectively. Mr. Siu joined the Group in February 2007 and is mainly responsible for the business development, operation and management. He is also a director of each of the Company'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 44, 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 40, is an executive Director and the principal of Beijing Jangho Architectural Decoration Design Institute Co., Ltd (北京江河創建建築裝飾研究院有限公司) ("**Jangho Design**") (formerly known as "Beijing Gangyuan Institute of Architectural Decoration Design and Research Co., Ltd."), a non-wholly owned subsidiary of the Company. He is mainly responsible for overseeing the operation of Jangho Design and the business in the PRC. Mr. Ding joined Jangho 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 Jangho 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 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 62, was an executive Director and the director of administration of the Group, and has resigned on 14 February 2023. Ms. Kau joined the Group as Administrative Manager of Steve Leung Architects Limited, a wholly-owned subsidiary of the Company in November 2005. She was 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 52, 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 (the "**Remuneration Committee**") of the Board , the chairman of the nomination committee (the "**Nomination Committee**") of the Board and the chairman of the Investment Committee. He holds directorship in certain subsidiaries of the Company. Mr. Xu 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 director and the general manager of Jangho Co., responsible for the overall strategy, investment planning, management and operations.

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 obtained the certificate of certified international internal auditor issued by China Institute of Internal Auditors in 2000 and became a non-practising member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in 2009. He also became 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 and a senior economist approved by the Beijing Senior Position Qualification Evaluation Committee (北京市高級職稱評審委員會) of the Beijing Human Resources and Social Security Bureau (北京市人力資源及社會保障局) in October 2020.

Mr. Ding Jingyong (丁敬勇先生), aged 37, is a non-executive Director 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 has been an executive director of Sundart Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code:1568) since 30 December 2022.

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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Liu Yi (劉珝先生), aged 74, is an independent non-executive Director since 11 June 2018. Mr. Liu is also a member of the audit committee (the "**Audit Committee**") of the Board 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 59, 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.

Mr. Tsang Ho Ka Eugene (曾浩嘉先生), aged 41, 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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

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.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

SENIOR MANAGEMENT

Ms. Ko Wan Ting (高韻婷女士), aged 39, is the financial controller of the Group. She has also become a Joint Company Secretary since 30 October 2022. 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 15 years of experience in auditing, accounting, finance and corporate governance as well as relevant experience in company secretarial work. Prior to joining the Group, she worked at Deloitte Touche Tohmatsu from 2006 to 2013 with her last position as a manager of the audit department. From 2014 to 2016, Ms. Ko worked at Larry Jewelry International Company Limited (stock code: 8351, prior to its delisting from GEM of the Stock Exchange) 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.

Ms. Choi Mei Bik (蔡美碧女士), aged 41, was a Joint Company Secretary and has resigned on 30 October 2022. 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 19 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.

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 Joint Company Secretaries.

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 2022, the Board consisted of nine Directors comprising four executive Directors, two non-executive Directors and three independent non-executive Directors ("**INEDs**"). The composition of the Board and its changes during the Year and up to date of this report are as follows:

Executive Directors

Mr. Leung Chi Tien Steve (appointed on 14 February 2023)
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 (resigned on 14 February 2023)

Non-Executive Directors

Mr. Xu Xingli
(Chairman of the Board, the Nomination Committee and Investment Committee, member of the Remuneration Committee)
Mr. Ding Jingyong
(Member of the Investment Committee)

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 INEDs 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 INEDs, which complies with Rules 3.10(1) and 3.10(A) of the Listing Rules. At least one INED, Mr. Tsang Ho Ka Eugene, out of the three INEDs 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 INEDs to at least one-third of the Board.

The Company has received written annual confirmation from each INED 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 INEDs, 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 INEDs) 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 annual general meeting (the "**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. 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.

During the Year, there was one female Director in the Board. However, since the change of executive Director from Ms. Kau Wai Fun to Mr. Leung Chi Tien, Steve on 14 February 2023, there has been no female Director in the Board as of the date of this report. In considering the increasing importance of gender diversity, the Board will continue to take opportunities to include at least one female Director no later than 31 December 2024 and increase the proportion of female members over time as and when suitable candidates are identified.

Gender diversity at workforce levels (including our senior management) is disclosed under the "Environmental, Social and Governance Report" section of this annual report.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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			
Leung Chi Tien Steve (appointed on 14 February 2023)	N/A	N/A	N/A
Siu Man Hei	✓	✓	✓
Yip Kwok Hung Kevin	✓	✓	✓
Ding Chunya	✓	✓	✓
Kau Wai Fun (resigned on 14 February 2023)	✓	✓	✓
Non-executive Directors			
Xu Xingli	✓	✓	✓
Ding Jingyong	✓	✓	✓
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.

BOARD INDEPENDENCE

The Board has put in place a mechanism to ensure independent views and input are available to the Board, including the following:

(i) Board Composition and Structure

The Board ensures the appointment of at least three INEDs and at least one-third of its members being INEDs, with at least one INED possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, INEDs are appointed to Board Committees as required under the Listing Rules to ensure independent views are available. Separation of the role of the Chairman and the Chief Executive Officer is also implemented to ensure balance of power and authority.

(ii) Appointment of Non-executive Directors

In assessing the suitability of the candidates for appointment or re-appointment of Directors, the Nomination Committee will take into account the mix of skills, knowledge, experience, diversity of the Board, independence and the remuneration for their duties and responsibilities.

(iii) Independence Assessment

The Nomination Committee and the Board are mandated to assess annually the independence of INEDs to ensure that they can continually exercise independent judgement.

(iv) Compensation

No equity-based remuneration with performance-related elements will be granted to INEDs as this may lead to bias in their decision-making and compromise their objectivity and independence.

(v) Conflict Management

If a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would be dealt with by a physical Board meeting rather than a written resolution. A Director who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

(vi) Independent Professional Advice

The Directors (including INEDs), upon reasonable request, may seek independent professional advice at the Company's expense, to assist the performance of their duties.

(vii) Board Evaluation

The Board assesses and reviews the time contributed by every INED and their attendance to meetings of the Board and the board committees so as to ensure that every INED has devoted sufficient time to the Board to discharge his/her responsibilities as a Director.

The Board reviews the implementation and effectiveness of the mechanism on an annual basis and considers such mechanism has been implemented properly and effectively.

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 days before the meetings. For other Board and Board committees meetings, reasonable notice is generally given.

In general, board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 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 INEDs 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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 2022;

— 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 from Global Offering; and

— reviewed matters relating to investments of the Group.

REMUNERATION COMMITTEE

The Remuneration Committee comprises three members, the majority of them are INEDs. The Remuneration Committee comprises two INEDs, 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

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

Details of remuneration of Directors and key management personnel of the Company are set out in note 12 and note 34 to the consolidated financial statements of this report, respectively.

NOMINATION COMMITTEE

The Nomination Committee comprises three members, the majority of them are INEDs. The Nomination Committee comprises two INEDs, 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 INEDs, 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.

CORPORATE GOVERNANCE REPORT (CONTINUED)

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;

— assessed the independence of the INEDs;

— reviewed the policy concerning nomination of Directors;

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

— recommend to the Board on the appointment and resignation of executive Directors.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee comprises three members, one of them is an INED 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 INED, 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 market risk, operation 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 INED and all of them have the requisite experience and expertise to enhance the Company's investment strategies. The Investment Committee comprises one INED, namely Mr. Tsang Ho Ka Eugene, two non-executive Directors, namely Mr. Xu Xingli (chairman of the Investment Committee) and Mr. Ding Jingyong and two executive Directors, Mr. Yip Kwok Hung Kevin and Mr. Siu Man Hei.

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 four 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 2022. 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 Group's enterprise risk management, internal audit reports;

— reviewed and approved the Group's environmental, social and governance report;

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

— reviewed and approved the appointment and resignation of Joint Company Secretaries;

CORPORATE GOVERNANCE REPORT (CONTINUED)

— reviewed and approved the appointment and resignation of executive Directors; and

— reviewed and approved the board independence mechanism.

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	2022 AGM
Executive Directors							
Leung Chi Tien Steve (appointed on 14 February 2023)	–	–	–	–	–	–	–
Siu Man Hei	4/4	–	–	–	1/1	1/1	1/1
Yip Kwok Hung Kevin	4/4	–	–	–	1/1	1/1	1/1
Ding Chunya	3/4	–	–	–	–	–	1/1
Kau Wai Fun (resigned on 14 February 2023)	3/4	–	–	–	–	–	1/1
Non-Executive Directors							
Xu Xingli	3/4	–	1/1	1/1	–	1/1	1/1
Ding Jingyong	3/4	–	–	–	–	1/1	1/1
Independent Non-Executive Directors							
Liu Yi	3/4	4/4	–	–	–	–	1/1
Sun Yansheng	3/4	4/4	1/1	1/1	–	–	1/1
Tsang Ho Ka Eugene	3/4	4/4	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 114 to 119 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 2022 HK$'000**
Audit Service	**1,080**
Non-audit Services	
— Interim review fee	**312**
— Tax services fee	**57**
Total	**1,449**

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.

Enterprise 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, 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 (including foreign exchange risk and interest rate 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 established a shareholders' communication policy, which is reviewed by the Company on a regular basis to ensure its effectiveness, to promote and maintain an on-going dialogue with the Shareholders to provide them with the information necessary to evaluate the performance of the Group. There are three major communication strategies: (i) general meetings; (ii) corporate communications; and (iii) Company's website.

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 is committed to maintaining a high degree of transparency by the publication of annual report, interim report and other corporate announcements to ensure the Shareholders, investors and general public receive comprehensive and timely information of the Group. 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.

The Company adopted a second amended and restated articles of association of the Company on 20 May 2022, 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. Saved as the above, there is no other change in the Company's constitutional documents during the Year. Up-to-date version of the Company's constitutional documents are available on the Company's website and the Stock Exchange's website.

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.

Shareholders 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

We are pleased to present our Environmental, Social and Governance ("**ESG**") report. The ESG report helps us to closely monitor our sustainability performance as well as identify opportunities for improvement.

REPORTING SCOPE AND BOUNDARY

The scope of the report summarises the ESG performance of our major operations in Hong Kong, Guangzhou, Shanghai and Beijing.

The report covers our management policies, mechanisms, and measures in place during the Year in relation to environmental protection, emission reduction, safe workplace, training and drills, supply chain management, as well as community investment and engagement. Emphasis is placed on aspects that are closely related and deemed material to our shareholders and stakeholders, as well as our full commitment to sustainable development across the Group.

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 both the environmental, social and governance performance of the Company. The information on corporate governance has also 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 selected and evaluated by the Company, and the opinions of our internal management and various stakeholders are taken into account, such that the identified material ESG issues are validated and reported in accordance with the stakeholders' 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 comparison of ESG performance of the Company between the years, consistent reporting and calculation methodologies are adopted where reasonable, and any significant changes in methodologies are also detailed in the relevant sections. The intensity data in the ESG report is calculated on a per capita basis for the Company.

ABOUT US

OUR BUSINESS

Our principal operations involve the provision of interior design services, interior decorating and furnishing services, as well as product design services. Founded in 1997, we are an internationally renowned brand in the PRC, Hong Kong and overseas, well-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 our clients, our shareholders and investors based on our experienced and reliable working team with extensive knowledge.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

BOARD STATEMENT

We recognise the importance of effective ESG management to sustainable business development and corporate sustainability. The Board is involved in overseeing ESG-related matters and the effective implementation of relevant ESG policies in our operations.

The Board and Audit Committee have primary responsibility for overseeing our ESG governance and risk management. For instance, determining our ESG approach, managing ESG-related risks, and supervising the management and relevant departments to develop and take appropriate measures to implement policies. By adopting a 'top-down' management approach, it promotes effective communication between departments, enabling decision makers to better understand our day-to-day operations so that appropriate plans and strategies can be formulated.

The responsibilities are set out as below:

Board	• Reviewing the Company's ESG risks identified by management and Audit Committee; • Reviewing the effectiveness of ESG risk management and internal control systems; • Approving ESG strategies, action plans, objectives and targets; • Monitoring the progress and performance of ESG initiatives; and • Reviewing and approving the annual ESG report.
Audit Committee	• Assessing and determining the Company's ESG risks; • Ensuring appropriate and effective ESG risk management and internal control systems; • Monitoring the progress and performance of ESG initiatives; • Approving ESG strategies, action plans and targets; • Monitoring the update of ESG reporting guide and related ESG KPIs according to the Listing Rules; and • Reviewing and approving the annual ESG report.
Management	• Identifying, assessing and reporting ESG-related risks and opportunities to the Board; • Providing guidance on the implementation of ESG policies and measures; • Developing ESG strategies, action plans, objectives and targets; • 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	• Coordinating and implementing specific ESG policies and measures; • Reporting to the management of the Company on ESG work; • Collecting information and data in relation to ESG performance of the Company; and • Preparing annual ESG report and reporting to the management of the Company.

Henceforth, the Board will continue to observe ESG-related matters and keep a close eye on the latest ESG disclosure requirements of the Stock Exchange. The Board will also ensure that all departments work closely together to achieve operational compliance, taking up social responsibility and formulate ESG objectives and targets that are more fitting for us and our development as far as possible in order to achieve better performance and better meet the expectations of stakeholders.

CORPORATE GOVERNANCE SYSTEM OF THE COMPANY

Corporate governance is of paramount importance to the success of our company. We put much emphasis on upholding our corporate governance system and corporate governance standards in order to enhance our corporate value, formulating and implementing good business strategies and policies. We also aim to improve the transparency of our board and our senior management's work in order to safeguard the interests of the Company and different stakeholders of the Company.

Our Board consists of 9 members, including 3 INEDs throughout the Year and as at the date of this report. We have actively advanced board diversity strategy by selecting new directors and continuing appointment of existing directors for the Board. A number of factors are considered when deciding on appointment of Directors, including but not limited to professional experience, skills, educational background, age, gender, race and culture. We had appointed a female executive Director from the date of the Company's shares listed on the Stock Exchange in 2018 until 14 February 2023 in order to execute our advanced board diversity strategy. We review the implementation and effectiveness of the existing board diversity strategies once a year to ensure effective corporate governance of the Company. In the future, we are looking forward to appointing at least one female Director in accordance with the requirement of Rule 13.92 of the Listing Rules no later than 31 December 2024.

There are 5 board committees currently serving under the board of directors, details as below:

Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Investment Committee
Chaired by an INED	Chaired by an INED	Chaired by Chairman of the Board	Chaired by an INED	Chaired by Chairman of the Board
100% INEDs	Composition of 67% INEDs	Composition of 67% INEDs	Composition of 33% INEDs	Include an INED

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

CREATING VALUE FOR STAKEHOLDERS

We actively strive to better understand and engage the stakeholders as we strongly believe that our stakeholders play a crucial role in sustaining the success of our business in the challenging market.

We value the opinions of various stakeholders on our business and ESG issues, in which engaging stakeholders allows us to fully understand, respond to and deal with the core concerns of different stakeholders to achieve common growth. During the Year, we have conducted ESG survey to engage different stakeholders, including our senior management, employees, clients and suppliers.

The main stakeholders and their probable issues of concerns, along with the means of communication for the Company are as follows:

Stakeholders	Probable issues of concern	Communication and responses
HKEX	• Compliance with Listing Rules • Timely and accurate announcements	• Meetings • Training • Roadshows • Workshops and programs • Website updates and announcements
Government	• Compliance with laws and regulations • Prevention of tax evasion • Social welfare	• Interaction and visits • Government inspections • Tax returns and other information
Suppliers	• Payment schedule • Stable supply of goods and services • Fair and open procurement	• Site visits • Business discussion and negotiation
Shareholders/ Investors	• Sustainable development • Corporate governance mechanism • Business strategies and performance • Investment returns	• Organising and participating in: o Seminars o Interviews o Shareholders' meetings • Issue of financial reports and/or operation reports for: o Investors o Analysts
Media & the Public	• Corporate governance • Environmental protection • Human rights • Open and transparent disclosure	• Newsletters on our website • Annual report • ESG report

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Stakeholders	Probable issues of concern	Communication and responses
Clients	• Product and service quality • Delivery times • Reasonable prices • Service value • Labour protection and work safety	• Site visits • After-sales services • Customer satisfaction survey
Employees	• Rights and benefits • Employee compensation • Training and development • Working hours • Working environment	• Union activities • Training • Interviews for employees • Staff handbooks • Internal memos • Employee suggestion boxes
Community	• Community environment • Employment and community development • Giving back to society	• Community activities • Employee voluntary activities • Community welfare subsidies • Charitable donations

We are committed to closely cooperating and communicating with our stakeholders to improve our ESG performance and continuously create greater value and benefits for the society.

Your Feedback

We welcome your feedback on our ESG management approach and performance. Please do not hesitate to write to us at ir@steveleung.com with any comments.

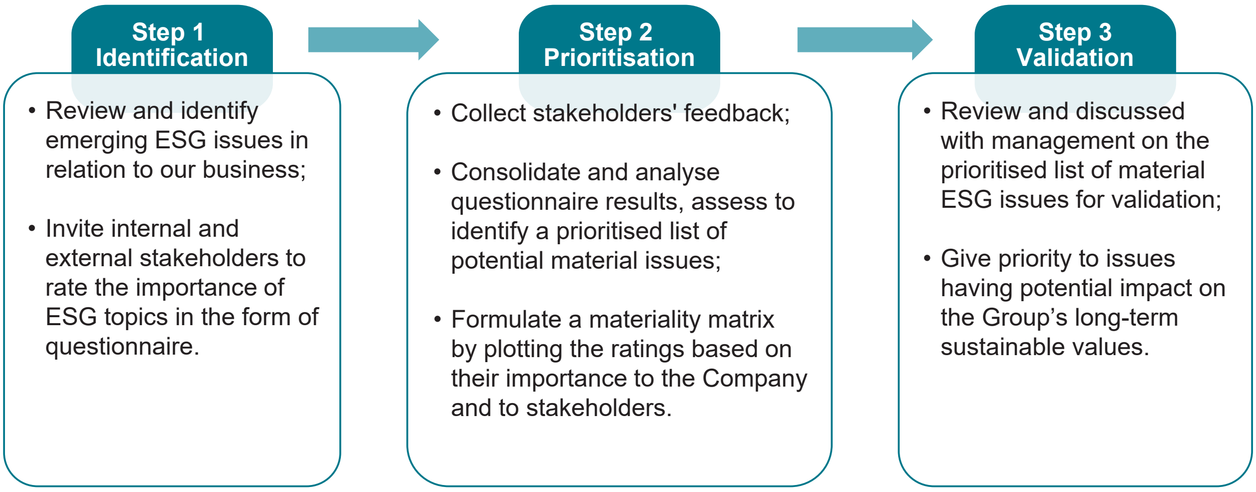
MATERIALITY ANALYSIS

During the Year, we have conducted a materiality assessment to identify the most important ESG issues to our business. We believe that appropriate input from stakeholders allows us to better understand their concerns for allowing us to review and prioritise ESG issues, where the ESG strategies can better align with stakeholders' expectations and our commitment to sustainable development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

MATERIALITY ASSESSMENT PROCESS

Stakeholders were invited to review the importance of emerging ESG issues to our business, and the assessment was conducted in three steps: identification, prioritisation and validation.



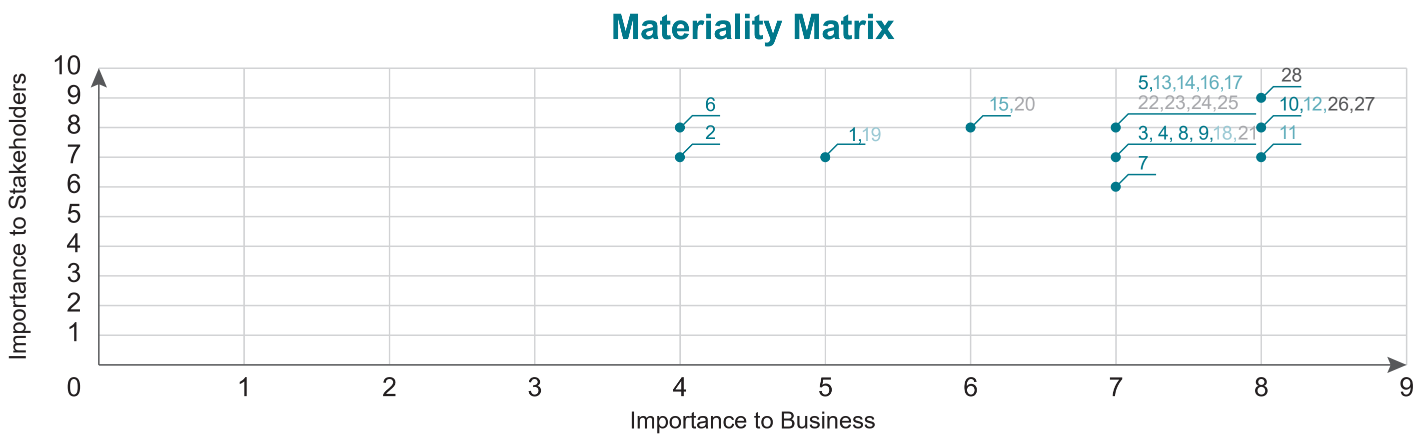
IDENTIFYING OUR MATERIAL ESG-TOPICS

We have invited both internal and external stakeholders such as the management, employees, clients and suppliers to provide feedback in the form of survey on ESG topics relevant to the nature of our operations. There are 28 related topics covering five main areas, including environmental impact, employment and labour practices, operating practices, leadership and governance, and community investment. With reference to the scope of the report and our business characteristics, as well as the results gathered from various stakeholders, all responses from both stakeholder groups were weighted equally, and the material topics identified were analysed and formulated into a materiality matrix.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

PRIORITISATION AND MATERIALITY MATRIX

With reference to the materiality matrix, the top right corner of the matrix presents the topics that are most important to both our business and stakeholders.



Environmental Impact	
1	Greenhouse gas emissions/global warming
2	Exhaust air emission
3	Energy consumption
4	Water consumption
5	Hazardous waste/liquid
6	Non-hazardous waste/sewage
7	Paper consumption
8	Forest damage
9	Use of raw materials and packaging materials
10	Compliance with laws and regulations relating to environmental protection

Employment and Labour Practices	
11	Anti COVID-19 pandemic
12	Employee rights and welfare
13	Inclusion, equal opportunities, and anti-discrimination
14	Talent attraction and retention
15	Occupational health and safety
16	Training and development
17	Preventive measures for child and forced labour

Community Investment	
18	Environmental protection
19	Community investment and engagement

Operating Practices	
20	Labour standards in supply chain
21	Supply chain management
22	Customers' satisfaction
23	Customers' privacy
24	Product and service quality
25	Economic performance

Leadership and Governance	
26	Operational compliance
27	Corporate governance
28	Anti-corruption

From the above materiality assessment analysis, we identified 5 key issues, which comprise: No. 28 Anti-corruption (the most important key issue), No. 10 Compliance with environmental laws and regulations, No. 12 Employee rights and welfare, No. 26 Operational Compliance; and No. 27 Corporate Governance.

We are committed to continuously monitoring ESG issues identified to effectively deploy our resources to where they are most needed, and in ways that strategically support our business development plans. We maintain close communication with our stakeholders to ensure timely responses to all concerns and comments. We also monitor industry trends and updated regulatory requirements to better align with the ESG reporting requirements and stakeholders' disclosure expectations. In the coming future, we will timely review and update the above ESG issues list to reflect our stakeholders' expectations and concerns towards different ESG issues.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

2022 PERFORMANCE HIGHLIGHTS

We are pleased to announced that we have achieved significant improvement in various ESG areas during the Year.

Environmental

When compared to the Previous Year,

- Total air emissions decreased by 9%
- GHG emission intensity: decreased by 8%, with 1.54 tonnes per employee during the Year
- Total GHG emissions decreased by 13%
- Total non-hazardous waste (mainly paper waste produced) decreased by 32%
- Non-hazardous waste disposal intensity decreased by 27%
- Total water consumption decreased by 31%
- Water consumption intensity decreased by 27%

Supporting our employees

- Women make up 53% of our workforce
- 33% of our employees have served the Company for 5 years
- 52% of our employees (including new joiners and leavers) participated in internal trainings
- 10 training sessions provided to employees
- Averaging training hours for employees: 1.53 hours (including new joiners and leavers)
- 0 case of work injury occurred in 2022

Operating practices

- 332 suppliers cooperating with us
- ISO9001 Quality Management System Standard certification in 2022

Compliance and governance

- 0 Legal dispute case in 2022
- 0 corruption case in 2022

Community investment and contribution

- Total social contributions of HKD180,000
- 157.75 service hours for employee volunteering work
- 55 employee volunteers

OUR RESPONSIBILITY TO THE ENVIRONMENT

PROMOTING ENVIRONMENTAL HEALTH

We believe that a healthy environment is the foundation for sustainable development. Therefore, we strive to integrate environmental sustainability into our business operations through various measures and adopts best practices to minimise the level and intensity of related carbon emissions as far as possible.

EMISSIONS IN OUR DAILY OPERATIONS

In the Year, we have included our air emissions and Scope 1 Greenhouse gases ("**GHG**") emissions produced by the usage of vehicles and refrigerants in order to comprehensively reflect our environmental performance. All the respective comparative figures or data have been updated for the current Year. During the Year, there was no material non-compliance issues with relevant laws and regulations related to the environment. We will remain vigilant for any non-compliance related to major environmental issues.

Environmental protection and emission reduction have always been among our top priorities with our commitment to promoting environmental health and human well-being through providing environmentally friendly interior design services. In terms of minimising our environmental footprints, measuring the respective emissions data enables us to better understand the impacts of our operations on the environment, so that meaningful and effective actions can be facilitated thereafter.

Air Emissions

Although our business mainly focuses on providing interior design services, interior decoration and furnishing services and product design services, there was vehicle usage during the Year for our daily business travelling for our employees, which includes the air emission of nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**"), and particulate matter ("**PM**").

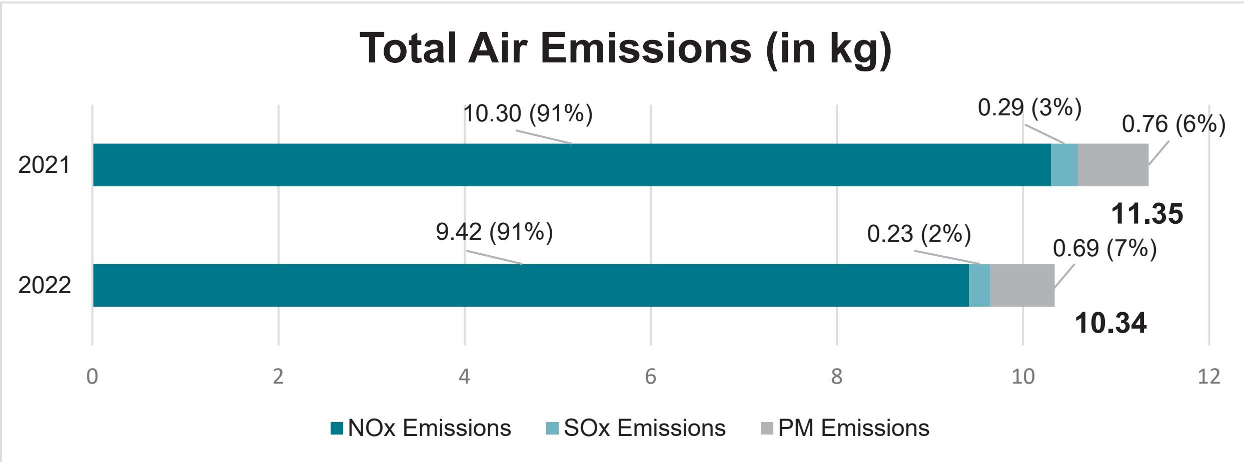
During the Year, our total air emission was approximately 10.34 kg (Previous Year: 11.35[1] kg), with the corresponding intensity of approximately 0.02 kg per average number of employee in the Year[2] (Previous Year: 0.02[1] kg). The main source of air emission is vehicle usage. We have 8 private vehicles (Previous Year: 9 vehicles) for our daily business travelling during the Year.

1 As per inclusion air emissions in the reporting scope in the Year, the data of air emissions for the Previous Year and the Year has been included for calculation for comparison.

2 The average number of employees for the Year was 526 (Previous Year: 555). The intensity base has been revised from the actual number of employees to average number of employees for the Previous Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

A detail breakdown of the total air emissions is shown in the following chart:



Our total air emissions had decreased by approximately 9% compared to the Previous Year mainly due to the continuous tightened government's restriction policies regarding the COVID-19 pandemic and lockdown of the cities and our offices where we operates in the Year, thus less travelling by our employees in the Year. Given that the focus on air emissions is becoming more important, we are committed to minimising the air emissions from our daily business travelling by private vehicles as far as possible. To reduce the air emissions, we embrace in driving green practices in our day-to-day operations and advocate our employees to use public transportation for business travelling when necessary. With reference to the significant downtrend for air emissions during the Year, we will continue to ensure that our abovementioned measures are strictly followed in order to strive for improvements in our performance and further scale down our air emissions in the future.

Greenhouse Gas Emissions

GHG are compound gases (mainly Carbon Dioxide (CO_2), Nitrogen Dioxide (NO), Methane (CH_4)) that trap heat in the atmosphere, and they are highly responsible for accelerating the greenhouse effect.

GHG emissions can be classified into three scopes in accordance with "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange on 25 March 2022:

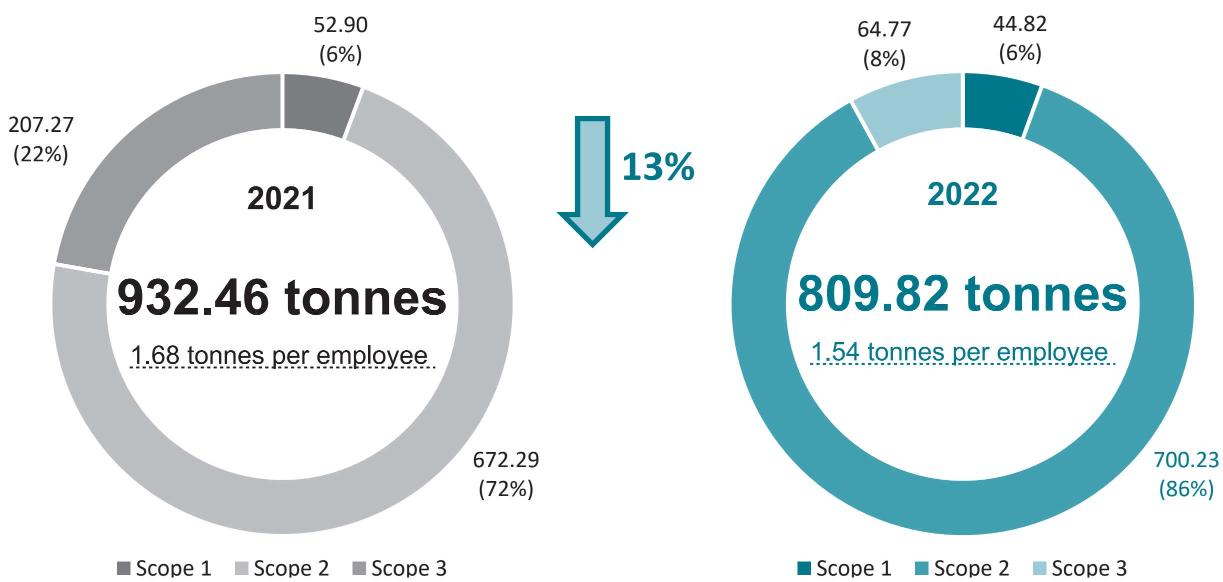
Scope 1	• **Energy direct emissions from operations that are owned or controlled by the Company.**
Scope 2	• **Energy indirect emissions from purchased electricity, heating, cooling and steam consumed within the Company.**
Scope 3	• **All other indirect emissions from both upstream and downstream activities that occur outside the company.**

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The major source of our GHG emissions is attributed from the energy indirect GHG emissions (Scope 2) from the consumption of purchased electricity. Other sources includes the indirect emissions from the paper waste disposed at landfills, employees' business air travel, as well as the electricity used for processing fresh water and sewage by government departments (Scope 3); the direct emissions from the use of vehicles held by us in different offices and the use of refrigerants (Scope 1).

During the Year, our total GHG emissions were approximately 809.82 tonnes (Previous Year: 932.46[3] tonnes), with the corresponding intensity of approximately 1.54 tonnes per employee in the Year[4] (Previous Year: 1.68 tonnes per employee), the decline was due to the decreased in average number of employees during the Year. Detail breakdown of the GHG emissions by scope and its corresponding source are illustrated below:

Our GHG Emissions and Intensity



Our total GHG emissions had decreased by approximately 13% compared to the Previous Year. In particular, our Scope 3 emission had significantly decreased by approximately 69%, mainly contributed by the decrease in emissions from business travels. The emissions from business air travels had drastically decreased by approximately 78% from 164.77 tonnes to 35.95 tonnes due to the continued influence of COVID-19 pandemic and related travelling restrictions. Emission regarding paper waste disposed of at landfills during the Year had also decreased by approximately 32% from 39.78 tonnes to 26.93 tonnes, due to (i) the adoption of online approval system in the PRC offices in order to advocate for paperless office and (ii) the increased days of work-from-home arrangements and increased online presentations to clients during the period of lockdowns. Also, our Scope 1 emission had decreased by approximately 15% due to the continuous tightened government's restriction policies regarding the COVID-19 pandemic such as travel restrictions and lockdowns during the Year.

3 The data has been revised with inclusion of Scope 1 GHG emissions in alignment with the calculation methodology of the Reporting Year.

4 The average number of employees in the Year was 526 (Previous Year: 555).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

On the other hand, although our business nature does not involve water consumption, the emissions from fresh water and sewage processing were also included in our reporting scope to raise the overall comprehensiveness of the reporting boundary and environmental disclosures. As the water supply of our Hong Kong office is managed by the building management of the leased office premise, only relevant data from our offices in Guangzhou, Shanghai and Beijing were collected. The total GHG emissions from fresh water and sewage processing had decreased by approximately 31% from 2.72[5] tonnes for the Previous Year to 1.89 tonnes for the Year mainly due to increased days of work-from-home arrangements during the pandemic.

Our implementation in reducing emissions

Given the harmful impact of GHG emissions on the environment, we are committed to minimise the carbon emissions from our operations as far as possible. To reduce GHG emissions, we embrace in driving green practices in our day-to-day operations and committed to environmental conservation of natural resource. Here we would like to introduce some of our green practices:

Use of energy efficient appliances

Our office appliances include printers and copiers are energy-star certified, which will automatically enter lower-power mode when not in use, and less energy is required to perform regular tasks.

Sensitive lighting in office

Our offices are surrounded by large windows, natural light is harvested and further permeates through our light-coloured office interior which favours light reflection. During lunch hour, the lights are switched off to save energy.

Reduce and recycle

To reduce paper waste, double-sided printing is recommended while single-sided printed papers will be collected for reuse. Paperless office is advocated and online approval system is adopted. We also recycle used toners and parts of copiers, and recycling bins are also placed in the office to promote the recycling of resources including papers, plastic bottles and aluminum cans.

Energy usage saving

To reduce electricity usage, temperature of the air conditioner is set to be not lower than 26°C and is turned off when there is no one in the office. Moreover, it is forbidden to use highpower electrical appliances in the office, and the electrical appliances that are not in use in the office must be unplugged. Besides, water dispensers to ensure energy saving.

Through the above measures and our efforts in environmental conservation, we will continue to ensure that our environmental practices are followed, the concepts of avoiding unnecessary and excessive resource consumption are advocated and promote the virtues of resource conservation among employees to strive for improvements in our performance and further scale down our carbon emissions in the future.

5 The data has been revised due to update of calculation methodology.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

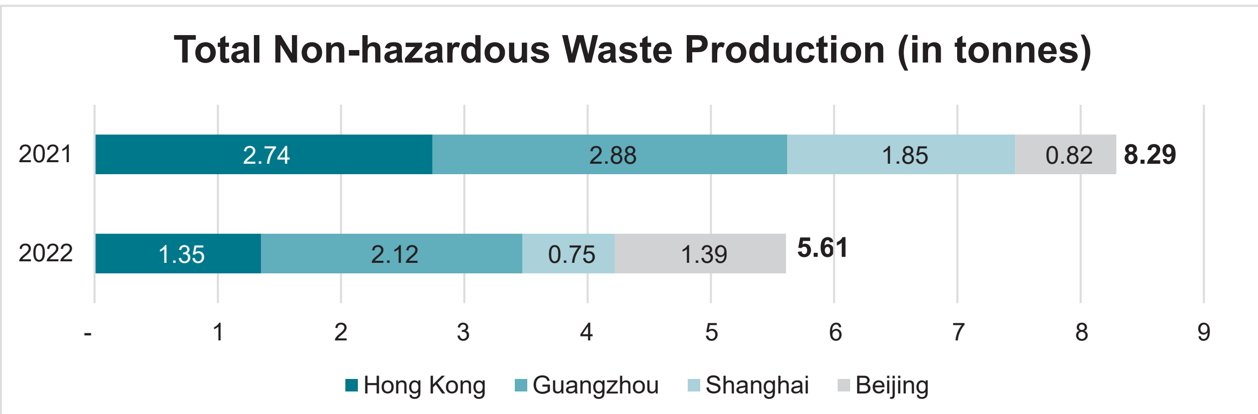
Waste Management

Waste management is important in environmental protection since it saves the environment from the toxic effects of inorganic and biodegradable element present in waste. To encourage waste reduction among our operation, we have formulated related policies and procedures to manage and monitor the process in solid waste collection, storage and disposal. Besides, we are also committed to conserving the use of various resources, encourage employees to recycle and reuse different materials as much as possible, and actively adopt various measures to reduce the generation of wastes.

As our business nature does not involve the usage of any hazardous resources or materials, there was no production of hazardous wastes such as chemical waste noted during the Year.

On the other hand, the non-hazardous waste produced during our operations were mainly paper wastes, decoration waste and general office waste. With the decreasing availability of suitable land for landfill along with the increasing concerns over the environmental impacts from waste disposal, reducing our non-hazardous waste production has been one of our objectives in lowering our environmental footprints. For decoration waste and general office waste, we have engaged recycle company to handle those non-hazardous waste.

During the Year, the total non-hazardous waste produced was approximately 5.61 tonnes (Previous Year: 8.29 tonnes), with a decrease of approximately 32% comparing to the Previous Year due to the adoption of various online approval systems in the PRC offices in order to advocate for paperless office, increased days of work-from-home arrangements and increased online presentations to clients during the period of lockdowns. Correspondingly, the non-hazardous waste intensity during the Year were approximately 0.011 tonnes per employee in the Year (Previous Year: 0.015 tonnes per employee). The total non-hazardous waste produced by the Company is categorised into four geographic regions where we operate in, and is summarised as below:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Our Actions to Less Waste Production

Limit production of non-hazardous waste

Implementation of "Principles of 3Rs (recycle, reuse, reduce), double-sided printing is encouraged, single-sided printed papers are collected for reuse.

Recycle of used toner and partis of copiers.

Use of electronic documents for daily business communications.

All our purchased paper products, including printing paper, paper hand towels and tissue papers are certified by the Forest Stewardship Council ("FSC").

FSC certification is awarded to products made from wood pulp sourced from well-managed forests, where it aligns with our persistence in purchasing products derived from sustainable forest operations.

We have been actively promoting various sustainable practices, such as eliminating plastics at source. To reduce the use of disposable or single-used consumables, reusable tableware is provided in the pantry where our employees do not have to use disposable plastic tableware utensils for lunch or refreshments.

Our Goal in Reducing Environmental Impacts

With the implementation of effective environmental policies and waste reduction strategies along with staff education, the positive results demonstrated our success in the management of resource consumption and waste generation. Although the greenhouse gas emissions and waste production are highly subjected to our business performance at a certain period, we will continue to actively implement various policies and measures as needed to strive for better environmental performances, for instance, to reduce its emissions and production of non-hazardous wastes to maintain or reduce the generation of emissions and wastes as far as possible in the coming future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Active employee engagement is crucial to our success in raising green consciousness and achieving greener operations in our day-to-day practices. While environmental consciousness is promoted to employees, we also explore other possible measures to further promote the green commitment in the hopes to amplify our efforts in decarbonisation and constructing a sustainable future.

Low-carbon habits in the workplace

Limit waste production and cherish resources

Avoid plastic use in the workplace

Environmental Aspects	Our Goals	Our Progress during the Year
Air Emissions	Ensure the implementations of the above-mentioned environmental policies and measures to maintain or reduce (as feasible) air emissions from the use of private vehicles.	Our air emissions recorded a decrease by 9% comparing to the Previous Year.
Greenhouse Gas Emissions	Ensure the implementations of the above-mentioned environmental policies and measures to maintain or reduce (as feasible) greenhouse gas emissions.	Our greenhouse gas emissions recorded a decrease of 13% comparing to the Previous Year.
Waste Management	Ensure the implementations regarding the policies and measures of efficient use of resources to maintain or reduce (as feasible) waste production.	Our non-hazardous waste production (paper waste) recorded a decrease of 32% comparing to the Previous Year.

We are delighted to announce that our progress in reduction of air emissions, greenhouse gas emissions and waste management is far more acceptable and we will persistently maintain or reduce our relevant emissions and waste production in the coming future.

We understand and notice there is increasing attention regarding sustainability development and environmental protection in the society. The Government of the HKSAR had announced Hong Kong's Climate Action Plan 2050 in October 2021, which strives to achieve carbon neutrality before 2050. Moreover, the State Council of the People's Republic of China had also announced the planning to carbon neutrality, targeting to achieve carbon neutrality and use of renewable energy of 80% or above by 2060.

Thus, we are pleased to announce that we plan to set up specific and quantitative targets in mid to long-term (i.e 5-10 years) to further take actions to response to the government planning on achieving decarbonisation and potential carbon neutrality in the future. We will disclose our planning on such quantitative targets in our next ESG report in upcoming financial year. We will plan to adopt different new plans and measures such as encouraging our employees to travel by high speed railway instead of travelling by air-plane for short-distance etc. in order to achieve our future target setting in the long run.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

RESOURCES CONSUMPTION MANAGEMENT

Considered that resource consumption is accompanied by the corresponding environmental footprint, we have always encouraged the full utilisation of resources to maximise the expected efficiency of resources. Among the "3Rs principles", reduction in resource consumption is especially advocated and communicated to our employees for raising the overall resource efficiency. In the Year, we have also included fuel consumption from the use of vehicles in this ESG report to ensure the data are more accurately presented and reflected.

Energy Consumption

The sources of our energy consumption are mainly from the use of electricity and the use of petrol for motor vehicle to support our day-to-day business operations and business travelling. During the Year, our total energy consumption slightly increased by approximately 2% comparing to the Previous Year due to increased application of disinfection measures including deployment of sanitising machines. Electricity consumption and the fuel consumption for vehicle usage were composed of 90% and 10% to the total energy consumption respectively.

Our Total Energy Consumption

2021

1,483,781.55 kWh

2,673.48 kWh per employee

2022

1,506,830.18 kWh

2,864.70 kWh per employee

Electricity Consumption

The total electricity consumption slightly increased by approximately 5% comparing to the Previous Year. This was mainly due to the increased application of disinfection measures including deployment of sanitising machines. Correspondingly, the electricity consumption intensity had increased by approximately 11% due to the decrease of average number of employees from 555[6] employees in 2021 to 526 employees in current Year.

2021

1,294,469.24 kWh

2022

1,356,355.11 kWh

Electricity Consumption Intensity

2022

2,578.62 kWh per employee

2021

2,332.38 kWh per employee

[6] The intensity base has been revised from the actual number of employees to average number of employees for 2021.

Fuel Consumption

Gasoline petrol is the major resources used in our vehicles for business travelling. We have 8 private vehicles (Previous Year: 9 vehicles) for our daily business travelling. During the Year, our fuel consumption had decreased by approximately 21% compared to the Previous Year, mainly due to travel restrictions and reduced physical visits to client's office for presentations because of the lockdowns of cities and offices in both the PRC and Hong Kong during the COVID-19 pandemic. The fuel consumption intensity had also decreased by approximately 16% due to the decrease of average number of employees from 555 employees[7] in 2021 to 526 employees[8] during the Year.

2021

189,312.30 kWh / 19,534.12 L

2022

150,475.07 kWh / 15,526.72 L

Fuel Consumption Intensity

2022

286.07 kWh per employee

2021

341.10 kWh per employee

Our Measures to Reduce Energy Consumption

Types of consumption	Measures
Electricity consumption	• All lightings are programmed to be automatically switched off during lunch hours • Encourage employees to develop energy-saving habits: o switching off unused electrical appliances o ensuring all electronic equipment is turned off after work • Maximise the potential daylighting with large windows surrounding the interior with adequate artificial lightings in our Hong Kong and Guangzhou offices
Fuel consumption	• Replace old fuel consuming vehicle to less fuel consumption vehicle • Consider to change old vehicle to electric vehicle • Encourage less physical site meeting by replacing with video call or online meeting

Looking ahead, we will stay committed to striving for better performance in managing our electricity consumption as much as possible.

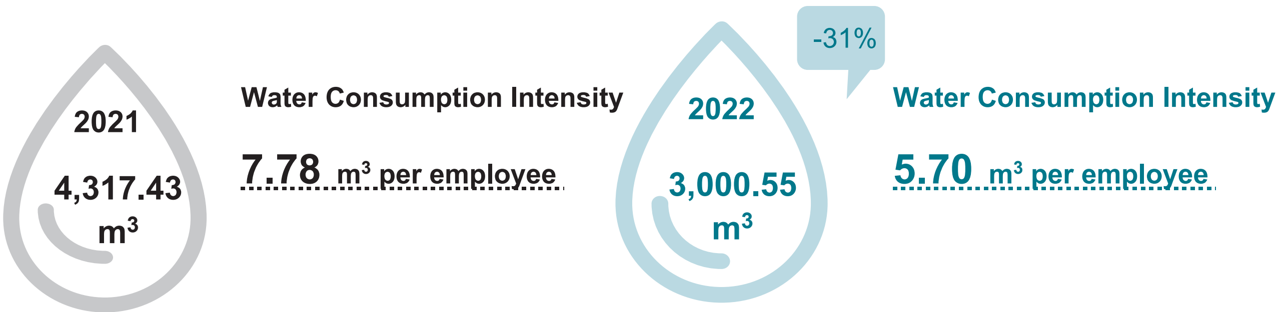
7 The intensity base has been revised from the actual number of employees to average number of employees for 2021.

8 The average number of employees in the Year was 526 (Previous Year: 555).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Water Consumption

The water supply for our Hong Kong office was managed by the building management department of the leased office, there was no data available for our collection. Therefore, only the data for our offices in Guangzhou, Shanghai and Beijing was collected during the Year. Comparing to the Previous Year, our total water consumption decreased by approximately 31%, mainly due to increased number of days of work-from-home arrangements during the pandemic. Since the water supply is provided and controlled by government departments, no water sourcing issues were noted during the Year.



Due to the scarcity in freshwater resources, we actively promote the reduction of unnecessary water consumption. There is a policy guidance in place for reference concerning the purchase of certified water-efficient equipment that saves at least 20% in water usage compared to conventional models.

Besides, the pantry in our Hong Kong office is equipped with a pull-out faucet, in which the flexible faucet can be better controlled during use, so that the required running water and cleaning time can be effectively reduced, thereby enhancing the achievability of water saving. We also have regular maintenance and inspection of water pipes, faucets, and toilet tanks to prevent leakage.

Packaging Material

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

OUR GOAL IN BOOSTING RESOURCE EFFICIENCY

Together with our employees, we will continue to embark on green practices and implement our environmental protection policies and measures to maximise the conservation of electricity, water and material resources in order to minimise the corresponding greenhouse gas emissions and harmful impacts on the environment. Moving forward, we will explore more specific and quantified environmental targets to fit in our vision and commitment to protecting the environment and cherishing the use of natural resources, thereby ensuring a more sustainable and desirable future.

Environmental Aspects	Our Goals	Our Progress
Energy Conservation	We will persistently ensure the implementation of our electricity-saving policies and measures to maintain or reduce our electricity consumption.	Our total energy consumption was recorded an increase of 2% comparing to the Previous Year, with the electricity consumption increased by 5% and fuel consumption decreased by 21% respectively. The electricity consumption is our major source of energy consumption.
Water Conservation	We will persistently ensure the implementations of the water-saving policies and measures to maintain or reduce our water consumption.	Our water consumption recorded a significant decrease of 31% comparing to the Previous Year.

We are delighted to announce that our progress in reduction of air emissions, greenhouse gas emissions and waste management is far more acceptable and we will persistently maintain or reduce our relevant emissions and waste production in the coming future.

Like the emissions target and waste reduction target, we are pleased to announce that we plan to set up specific and quantitative targets in mid to long-term (i.e. 5-10 years) to further take actions to response to the government planning on achieving decarbonisation and potential carbon neutrality in the future in terms of energy and resources consumption. We will disclose our planning on such quantitative targets in our next ESG report in upcoming financial year 2023. We will adopt different new plans and measures in order to achieve our target in the long run.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

PROMOTING ENVIRONMENTAL AWARENESS AND GREEN DESIGN

In addition to the abovementioned environmental protection practices, we have always been committed to promoting environmental health and human well-being through continuous innovation of green interior designs and incorporating environmental sustainability into our designs.

Certification of Environmental Management System

We have also obtained the ISO14001:2015 certification on environmental management system standard applicable to the provision of interior design and project management services in the PRC and Hong Kong.

Certification of ISO 14001:2015 Environmental Management System Standard

We have incorporated indoor greening for fostering environmental wellness. Our indoor plant wall at the entrances champions the connection between people and the nature, while greeneries such as potted plants are also placed along the office's corridor. Not only do these plants act as biological filters to help filter out air pollutants, but it can also create a sense of vitality and a pleasant atmosphere that promotes both the physical and mental well-being to our employees.

Driving Green Designs and Habits

The market trend for green building and green interior designs and decorations has been a growing interest from our customers of building owners and developers. While such a trend presents more opportunities and exposures for the interior design and decorating services markets, our position as an industry leader allows us to leverage our expertise and gain recognition, which in turn can drive our business growth. As a leading interior design company, we recognise the importance of transforming the choice of materials, products, and equipment in our design projects so that we are constantly persisting towards greening our operations.

Thinking One Step Ahead

During the design and planning process, we work to integrate environmentally conscious features into our projects as far as practicable. Since 2019, we have a Design Standards Guideline concerning Environmental Health for driving environmentally friendly designs. In the case where paints, coatings, adhesives and sealants, or even wooden products are to be used, these products must have a low volatility property and a green certification. On the other hand, where electrical appliances or sanitary wares such as faucets are required in design projects, they must be energy and water efficient with a corresponding efficiency label. This is to ensure that sustainability and environmental considerations are embedded into our design projects and decision-making process, so that our designers can take part in fabricating a pleasant environment and setting for both the people and the environment along with other professional parties.

Spreading Environmental Awareness

To raise our employees' awareness towards environmental issues, we have also adopted different advocacies towards non-business-related issues. Display screens are set up in our office area to enlighten our employees of different environmental topics, such as overfishing.

CLIMATE CHANGE AND ENVIRONMENTAL RISK

Climate change refers to the long-term shifts in temperatures and weather patterns. Although it could be a natural phenomenon, human activities that led to increased GHG emissions have accelerated the greenhouse effect and global warming, making it the primary driver of climate change and one of the greatest contemporary challenges to the life of humanity and the health of the planet.

We acknowledge the potential challenges and impacts of climate change that could affect our business sustainability, and that we are also aware of the market trend of transitioning into a lower carbon footprint economy. As the changing climate introduces both long-term and short-term uncertainties towards our operation, we are expected to face new challenges brought by climate change. In response, we have actively monitored the associated risks and impacts of climate change, conducted risk assessments on the relevant ESG related topics and incorporated climate considerations into our decision-making process, so that better preparation and management could be arranged for capital allocation, service development and supply chain management in response to the potential climate-related uncertainties that may affect us.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Climate change risks and measures

There are several highlighted potential risk and impact of climate change brought to our business. We therefore take timely responses and measures to reduce the possible losses caused by the climate change and environmental risks.

Climate change risk		Potential impacts	Risk responsible measures
Physical risks	short-term	• Higher frequency and severity of extreme weather events endanger the safety of employees, increase the risk of property damages, disruption to the supply chain and logistic functions.	• Special work arrangement has been implemented to minimise the potential risks of injury and accidents. • Office liability insurance, property-all risk insurance for the offices of Hong Kong and the PRC are procured to avoid the impact of property damage.
	long-term	• Change in climate conditions may affect the supply chain for the Company, which may increase production cost, thus bring negative financial impact to the Company.	• Prepare for financial budget and conduct variance analysis on the actual raw material costs and cost of sales periodically, and keep close attention to the factors that affecting the increasing costs.
Transitional risks	Policy and legal update	• More environmental protection-related climate policies may increase the capital investment and our expenditures to fulfil the emerging requirements and standards. • Potential implementation of carbon taxes and mandatory regulation of carbon pricing mechanisms on different industries which incurring additional costs.	• Actively monitor and regular update on the existing and emerging trends, policies and regulations adopted by the government and non-governmental organisations to the Board and senior management of the Company.
	Market	• Shift of market preference from consumers' expectations to adopting more environmentally friendly alternative products and services potentially impose extra operating costs and affect our revenue.	• Conduct ESG-related risk assessment on climate change. • Consider the environmental standards and certifications obtained and any green products and services provided while conducting suppliers' assessment.

Nonetheless, we remain committed to making a greener commitment to achieve long-term success and become an environmentally responsible corporation while enhancing its corporate strength.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

GROWING WITH OUR PEOPLE

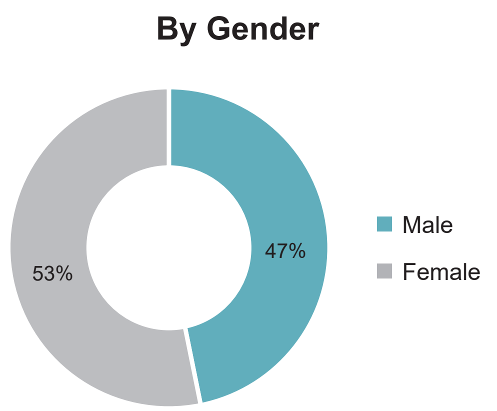
We believed that employees are an important asset and to our success. We have always been committed to providing a harmonious working environment and to grow together with our employees since we strongly believed that it supports the development of both parties and our business in the long run.

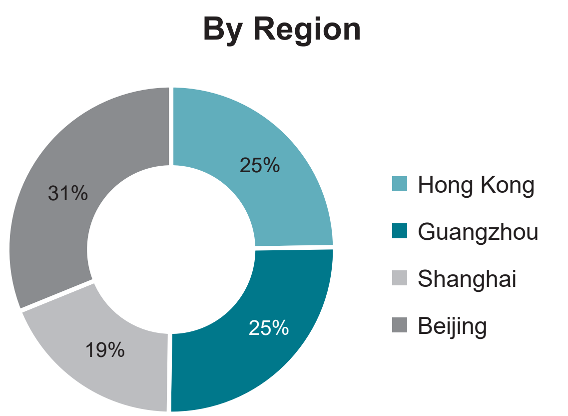
Employment Practices

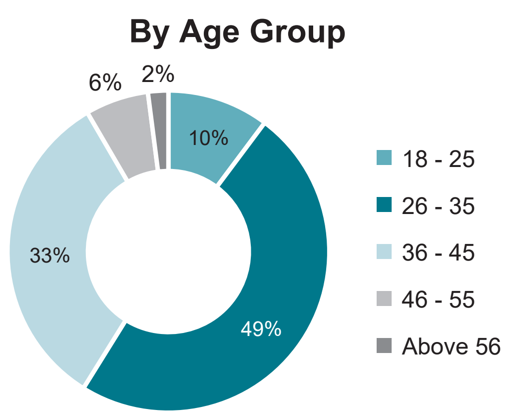
We embrace the principle of equality, diversity, and inclusion as we strongly affirm that an equitable and multicultural environment nurtures abundance in terms of talents, perspectives, and advancement across roles, where people from different backgrounds are able to learn and grow in collaboration. We believe that openness and inclusiveness enable our team to be more creative and accountable, so that we can better serve our customers' needs. In recognition of the contributions of our loyal and dedicated employees, an annual awards ceremony is held every year to show appreciation for each individual's professional achievements.

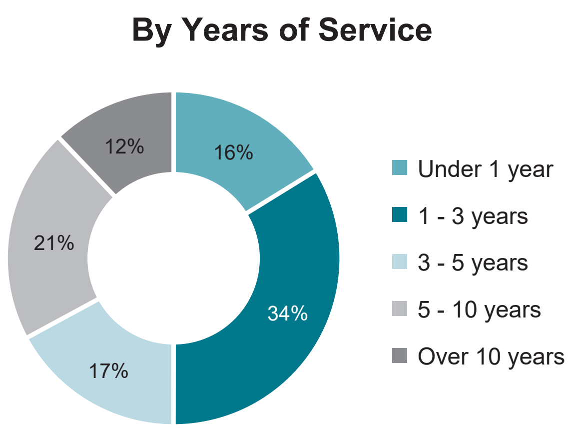
Our Employee Composition

As at 31 December 2022, we consisted of 440 employees in its offices in Hong Kong, Guangzhou, Shanghai, and Beijing. We believe that a diverse and inclusive workforce can advance our business development through fostering innovative ideas and promoting better communication among talents. Committed to growing our business with employees, we are pleased to announce that 33% of our employees have served the Group for more than 5 years. The composition of our employees is detailed as follows:







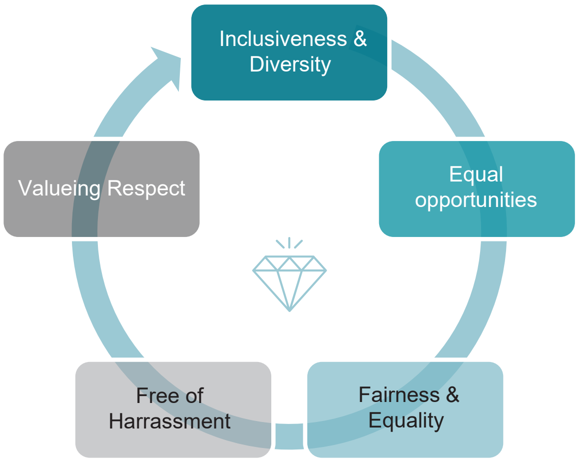


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Creating Values amongst a Harmonious Workspace

A harmonious working environment is fundamental for employees to thrive and nurture abundance. We believe that an equal, inclusive, and diverse work environment is momentous to unleash the potential of our employees, inspire innovative ideas and to help stimulate collaboration.

As an equal opportunity employer, we are committed to diversity and inclusion in our recruitment and talent development processes, in which equality and respect is promoted from the hiring process and onto all aspects of our work. We aim to provide fair and inclusive growth opportunities for our employees regardless their ethnicity, colour, religious belief, age, gender, sexual orientation, nationality, citizenship, disability, marital status or any other characteristic protected by law. Moreover, we also strive to create an equitable and healthy working environment that is free of intimidation, hostility, or any other form of harassment, while protecting the rights and interests of employees in the workplace. We have also stipulated a policy on the Prevention of Sexual Harassment to further emphasise our zero tolerance against sexual harassments.



Honest and constructive feedback from employees is also important in promoting our development. As such, a grievance procedure is in place, if employees have any questions or complaints related to their work and the Group, they are welcome to discuss the matter with the management. If further assistance is needed, employees can submit a written complaint to the Chief Executive Officer. All complaints will be considered fairly and effectively while all the information received will also be kept confidential, so that employees feel safe and comfortable to expressing their ideas and concerns.

Besides gender, ethnicity, and nationality, we will also seek to expand our diversity and inclusiveness by embracing a wide range of views and opinions, fostering an environment that respects and celebrates individuality and uniqueness for better tailor our services through maximising our specialty and skills.

Employee Benefits

As a caring employer, we provide our dedicated and talented employees with comprehensive employee benefits. We also consider employees' rights and welfare as our priority to foster our relationship with our employees. We provide various types of insurance to our employees in Hong Kong and the PRC. Employees who work in Hong Kong are entitled to Mandatory Provident Fund ("**MPF**") and employees' compensation insurance, and covered by Health Insurance Scheme to cater the basic medical care needs of employees. On the other hand, employees working in the PRC are entitled to Social Insurance and Housing Provident Funds related to the local regulations of the respective regions. Moreover, yearly health check-up is provided to our employees working in the PRC to ensure employees' health is protected.

To inspire a healthy lifestyle and provide a better working environment for our employees, we provide and replenish the pantry with healthy beverages, snacks, as well as fruits and vegetables on a daily basis. The office also avoids highly processed food and ingredients to reinforce the philosophy of healthy eating.

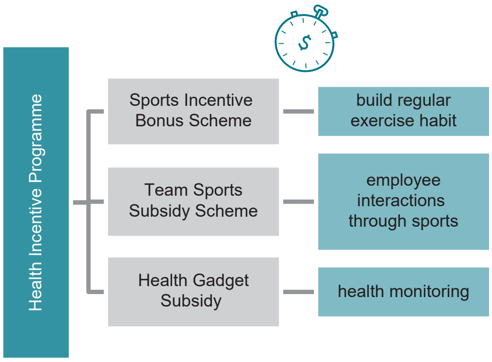
Career Growth

The objective of our human resource management is to reward and recognise performing staff by providing them with a competitive remuneration package and implementing a performance appraisal system with appropriate incentives. Our annual employee appraisal is an essential milestone for our employees to understand and reflect upon their performance and potential career growth. Through the appraisals, we can also evaluate the performance of employees to better address our development needs and advance in providing appropriate assistance to boost employee development. With reference to the appraisal results, contributing employees are rewarded with promotion and salary raise to show appreciation to their efforts. Besides, year-end bonuses may also be awarded to employees based on their performances and our business performance of the year to share our achievements.

Work-life Balance and Productivity

A good work-life balance helps employees reduce stress and prevent burnout in the workplace, thus leading to increased productivity. With reference to the level of employment, employees are entitled to 12 to 24 days of annual leave per year, as well as 1 day of birthday leave in the month of their birthday. We also provide employees with various types of leaves, including marriage leave, compassionate leave, maternity leave and paternity leave, etc., to meet the needs of employees or their families. Gift Vouchers such as wedding gift vouchers and baby gift vouchers are also offered to employees who get married or gave birth to newborns to give our blessings to them and their family. Besides, while the 40-hour work week is fixed, we offer employees with the flexibility to choose one of five working timeslots for enhancing employee productivity and engagement.

On the other hand, we advocate a healthy lifestyle as the basis for employees' happiness and well-being. We have established a Health Incentive Program among that the Sports Incentive Bonus Scheme is designed to encourage employees to establish and maintain the habit of exercising regularly, the Team Sports Subsidy Scheme is designed to promote employee interaction and the health benefits of exercise, and the Health Gadget Subsidy is designed to encourage employees to conduct their own health monitoring.



We also provide public leisure areas in our Hong Kong and Guangzhou offices for employees to take breaks or have casual meetings, as we believe that a comfortable working environment can stimulate the creativity of employees, thereby enhancing their artistry and productivity.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Talent Retention and Management

With the aforementioned welfare and benefits for our employees, as well as our aspiration in achieving mutual growth, our monthly average turnover rate was approximately 4% in the Year. In particular, the average monthly turnover rate of employees by gender was approximately 3% for male and 4% for female, while by age group was approximately 6% (18 to 25 years old), 4% (26 to 35 years old), 3% (36 to 45 years old), 2% (46 to 55 years old) and 1% (over 56 years old). On the other hand, the average monthly employee turnover rate by geographical region was around 3% for both Hong Kong and Guangzhou, while for Shanghai was around 5% and Beijing was around 4% respectively.

Looking ahead, we will continue to provide a safe and harmonious working environment for our employees, strive to achieve simultaneous growth between our business and talents, and continuously expand the talent team.

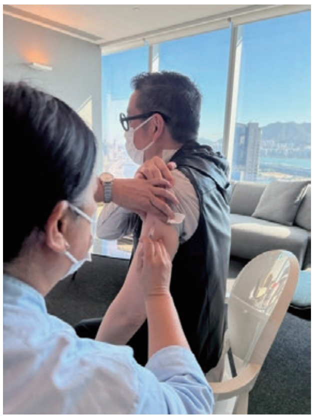
KEEPING OUR EMPLOYEES SAFE AND HEALTHY

Building Supportive Working Environment

Given the importance of a stable and safe working environment, we are committed to safeguarding the health and safety of all our employees. We have also set up various gadgets in our offices to improve the working conditions for our employees. For instance, air monitoring devices are installed for the sake of monitoring the indoor air quality and pollutant level at the offices, in which related information and data is displayed on the digital monitor in the pantry for employees' reference. We also provide our employees with adjustable computer stands so that they can work in standing or sitting positions according to their preferences.

Moreover, our Hong Kong office has also achieved the 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, our Hong Kong office has satisfied all the preconditions of the WELL™ New and Existing Interior Projects in addition to at least 60 points of the applicable optimisations within the scoring system to achieve the gold certification. Features such as the reduced indoor air contaminants and ample daylight exposure in our office ensures the quality of the indoor environment, thereby providing our employees with a safe and healthy workspace that fosters performance and creativity without compromising their wellness.

Combating Continuous COVID-19 Pandemic and Maintenance of Office Hygiene



Meanwhile, under the continued impact of the COVID-19 pandemic, we provide anti-pandemic supplies such as disposable surgical masks, alcohol-based hand sanitisers or hand sprays and alcohol wipes to all our employees in Hong Kong and the PRC office in order to maintain office hygiene and prevent the spread of infectious disease such as COVID-19. We also arrange regular atomising disinfection services during non-office hours in our office in Hong Kong for maintaining office hygiene. We have also set up infrared thermometers in our offices for guests and employees to check their body temperature before entering the office area. To further strengthen our pandemic control, our receptionists will also assist guests with registering their information at the reception on each visit, so that proper record can be maintained. We have also installed a full-body disinfection sprayers in our Hong Kong offices for all the employees and visitors sterilised before entering the office area. Rapid antigen testing kits are also provided for our employees in Hong Kong for identifying all infected cases for COVID-19 before employees entering office area, thus preventing the spread of infectious diseases.

Promoting Health and Wellness Office

On the other hand, we have also taken the opportunity to promote health and wellness at our offices. For example, a digital display screen is situated next to the sinks in our pantry areas for reminding our employees to maintain proper hand hygiene and keep appropriate social distance amid the pandemic. "Work from home" arrangements have also been implemented to address the risk of infection from COVID-19, which largely avoids the spread of disease through close contact with people and/or contact with contaminated surfaces or objects. Aside from COVID-19 protection, we also regularly arrange Influenza Vaccination outreach services for our employees during the Winter Flu Season to prevent flu infections.

Office Safety

As for maintaining the occupational health and safety in our offices, we understand that both the preventive and reactive approaches are essential to dealing with accidents. We believe that preventive measures are particularly more important than reactive measures because they are more cost-effective and can better prevent avoidable damages from incidents.

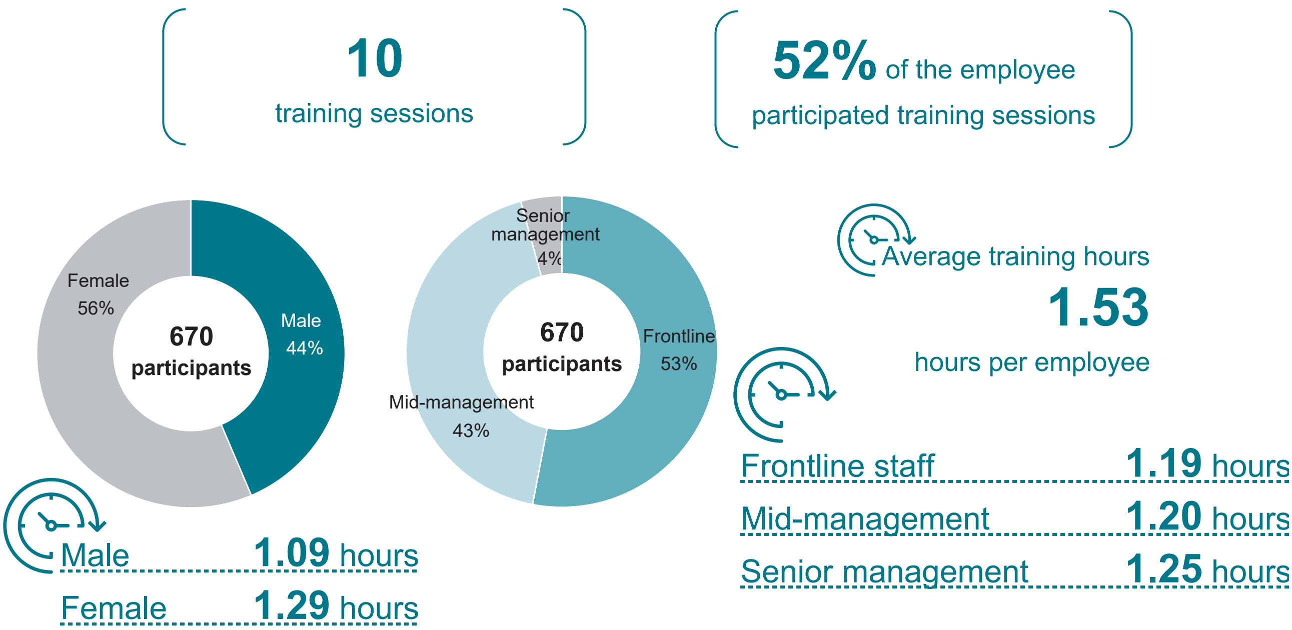
Our offices are equipped with sufficient first-aid kits and fire prevention materials such as fire extinguishers, fire hoses, and smoke alarms in case of emergencies. In addition, we also encourage employees to familiarise themselves with the escape routes and participate in emergency drills to prepare for evacuation procedures.

During the Year, we are delighted to report that there were no case of work injury, and no fatality case was reported (2021: 3 cases of work injuries and no fatalities; 2020: nil). Looking forward, we will continue to promote occupational health and safety to our employees and strive to avoid any work-related injuries or accidents as much as possible.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

BUILDING AND DEVELOPING OUR TALENTS

Committed to offer adequate and effective training and development opportunities, we emphasise the importance of enhancing the skills and ability of our employees to drive both personal and career developments. To ensure that new employees are well integrated into our Group, induction training is offered for helping them understand the expectation, and our culture, while they can also get a better idea of their roles and familiarise with our day-to-day operations. Besides, we also organise in-house training regularly to elevate the skills and knowledge of our employees while also keeping them informed of the latest design trends in the industry and market. In addition to in-house training, our employees are also entitled to 3 days of exam leave per year to prepare and sit for exams related to their job responsibilities. Moreover, we also sponsor employees to participate in external seminars and exhibitions to inspire and widen their horizons. Besides staff enhancement, we also pay great attention to the competency requirements of our employees at all levels to ensure that they grow in harmony with the Group. Both the initial employee performance evaluation and annual performance assessment are conducted to facilitate two-way communications between the management and employees, while also help the management to better understand the training and development needs of our employees. Below were the training-related figures during the Year:



PROTECT THE RIGHTS OF OUR EMPLOYEES

Respect for our employees' human rights has always been an integral part of our approach to sustainable development. We fully comply with labour laws and other relevant legislation that prohibits child labour and forced labour. During the recruitment process, documents with legal qualifications to work in Hong Kong, Shanghai, Guangzhou or Beijing are obtained and verified from potential candidates. We will not employ any person below the minimum age requirement for employment in the jurisdictions in which we operate or conduct business. Violence that forces employees to work with the intention of deliberately causing hardship, threats and/or corporal punishment is strictly prohibited. Through the whistle-blowing system, all employees are welcome to raise any injustice they face. The management will also investigate any reported cases immediately and take further follow-up actions if necessary.

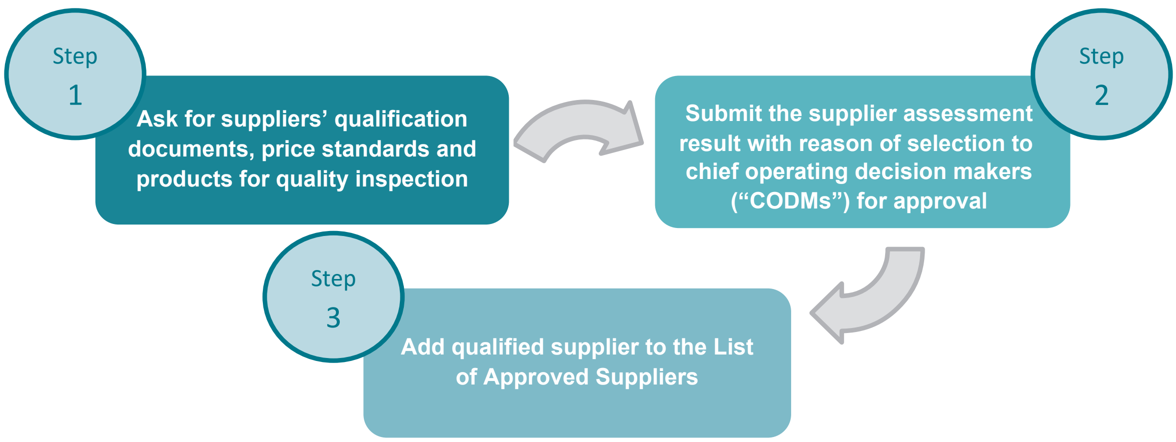
During the Year, there was no material non-compliance with applicable laws and regulations in relation to labour standards. We comply with all immigration laws and regulations.

CREATING SUPPLY CHAIN ECOSYSTEM

We implement strict management on our suppliers to support the robust growth and development of our business. We maintain a list of approved suppliers that meet our procurement requirements, and only places purchase orders with the suppliers on the list to ensure the product quality and reduce the risk of any potential supply chain disruptions.

Our Supply Chain Management

We conduct initial assessment on new suppliers before adding the qualified suppliers to the list of approved suppliers.

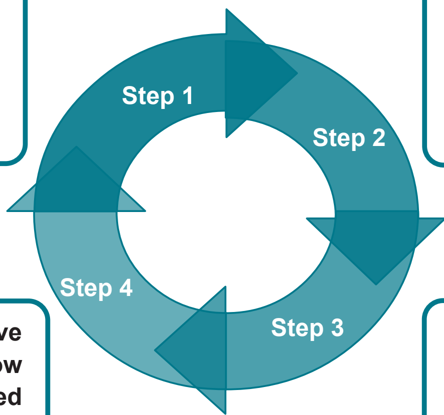


ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

In addition, we regularly conduct suppliers' performance evaluations after engagement.

Step 1: Score the quality of service provided by suppliers immediately after completion of project.

Step 2: Scores reflected in the *Design Resources System* ("DRS") system for evaluating the suppliers.



Step 3: Scores circulated to CODM annually for monitor and review.

Step 4: Consider to remove suppliers with continuous low score from list of approved suppliers by the senior management.

As at 31 December 2022, there were 332 suppliers cooperating with us, including 29 suppliers located in Hong Kong, 287 suppliers located in the PRC and 16 suppliers located in other regions such as Thailand and Singapore.

Indicators in Supplier Selection

To better assess and manage the environmental and social risks in the supply chain, we have several criteria including but not limited to quality of output, quality of service, work efficiency and environmental elements etc. for assessing and evaluating whether suppliers can meet expectations. For example, whether a manufacturer has passed any environmental assessment certification is an important indicator to assess and reflect the level of environmental commitment of suppliers.

In addition, several criteria are also investigated when determining if the suppliers are qualified. For instance, the observations when inspecting goods at the time of on-site receipt, specifying whether the workers in the designated production process are equipped with the appropriate skills, and whether the overall working environment is neat and orderly are important indicators for assessing the corresponding risks in safety management of the suppliers. All manufacturers must comply with the production requirements and standards as they serve as the guidelines to safeguard product quality, as well as health and safety standards. Suppliers and manufacturers are required to replace the defective products if they are found to be non-conforming to our standards upon inspection.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Green Supplier Selection

Suppliers are also encouraged to demonstrate their corporate social responsibility by adhering to corporate social responsibility standards and business ethics in workplace operations, marketing activities, social interactions and environmental responsibility. We employ high ethical standards, including prohibiting the offer and acceptance of bribes and/or other unfair advantages. Information such as business activities, business structure, financial condition and financial performance should only be disclosed in accordance with applicable laws and regulations. In order to promote cooperation with environmentally friendly suppliers and the use of environmentally friendly products, we have also formulated a set of mandatory requirements regarding the design standards for environmental health and safety, in which our employees must comply with when performing project responsibilities, so that environmental considerations can be enhanced at the same time.

PRODUCT RESPONSIBILITY — ENSURE QUALITY SERVICES

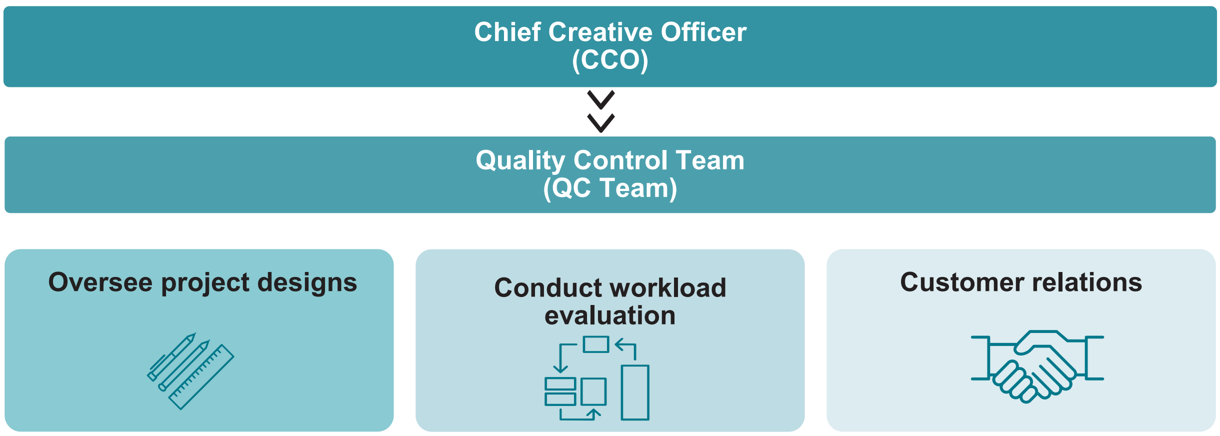
Quality Control

We are committed to providing high-quality and reliable services according to our clients' requirements. Regarding customer service procedures, we have developed a comprehensive design quality control manual illustrating the particulars for the contents, the level of detail of the different documents, labelling requirements for samples, as well as the typical scope of work. The customer relationship management system is responsible for the assessment of the quality of our services, while a detailed checklist that defines and specifies the working procedures at different stages is also developed to ensure the quality of the services provided. Moreover, we have also obtained ISO 9001:2015 ("**Quality Management System Standard**") certification.

Certification of ISO 9001:2015 Quality Management System Standard

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Headed by our chief creative officer, our quality control team is responsible for overseeing the designs initiated by each design and decoration team for each project, and is also responsible for their respective workload evaluation, project management, as well as customer relations etc.. By observing the work of employees and their corresponding workload, the quality of work can be better maintained while ensuring the project details are also taken care of. Additionally, having earned the fifth place in the "Residential Design Category" in 2022 and ranked the global position of top 20 in the interior design magazine "Top 100 Giants Research" of the United States, it exemplified our commitment towards its service quality.



There was no material non-compliance with applicable laws and regulations related to product responsibility. In view of our business nature, no products were recalled due to health and safety reasons.

Fostering Responsible Consumption through Green Designs

As aforementioned in previous sections, we strive to promote environmental awareness through our services advocating responsible consumption, in a way that we help customers meeting their needs while limiting and reducing possible harmful environmental impacts incurred during the process. As an increasing number of customers show interest towards responsible consumption and using green products, we have been working to maximise the use of certified green products with low environmental impacts since 2019. For instance, we have made the use of energy-efficient appliances and products with low volatility a mandatory requirement for our designers to ensure that environmental impacts from projects are minimized since the initial design phase.

Client Service Management

Effective communication is crucial to build customers' satisfaction where we provide timely and appropriate assistance for ensuring a smoother delivery during project particulars. Customer satisfaction is of paramount importance to us as we put customers at the heart of our business. To better understand customers' preferences and requirements, our design teams regularly hold meetings with clients for ensuring project delivery and expectations are met. Different deliverables such as layout plans, image boards, computer generated images, sample boards, dimensional plans and working details are also delivered to our clients from time to time so that the project progress can be well-communicated to customers during the process. Moreover, we have also set up a customer services procedures in order to guide our employees to strengthen the business development and build up professional corporate image to our customers.

Additionally, if any complaints are received, corrective and preventive actions will be considered to ensure the quality of our customer service and prevent similar issues from recurring in the future. A total of 6 complaints were received during the Year, and the matter has been fully resolved.

Ensuring Smoother Project Delivery

To ensure a smoother project delivery, we also ask our clients to complete a reference drawing confirmation for the design before commencing the next stage of work, so that the confirmed project progress assure the intended outcome of the project meets the expectation. Moreover, questionnaires are distributed to clients to collect comments and feedback during and at the end of the design projects. Where improvements will be made accordingly to the comments and feedback from clients, the collected responses will also be used as a reference for future designs.

Protecting Customer Privacy

Confidentiality in business promotes confidence and trusts between our clients and our employees with us since protecting privacy is the basis for building trustful relationships. We have formulated and circulated a company policy and code of conduct to reiterate the importance of confidentiality, so that the terms and expectations are well-communicated to our employees. Our employees are also required to sign a non-disclosure agreement after confirming their employment status to ensure confidential information are properly kept, and unauthorised access to confidential information is strictly prohibited.

Regardless of the circumstances of termination or voluntary turnover, employees are strictly prohibited from divulging any of our confidential information to any other person, firm, corporation, media or association during or after their employment with potential, actual or past clients. Failure to comply with the above-mentioned obligation may be considered as a serious misconduct by us, and the employee may be terminated immediately with follow-up actions. Moreover, we consider and pay much attention to protect our customers' privacy. Thus, we have set up a policy regarding to preventive measure for information leakage in order to ensure comprehensive protection of privacy and security of information. Let alone the above-mentioned measures, we have also put the emphasis on information technology related measures such as computer login measures setting, information access authority, limiting usage of external devices for storage of information and use of file transfer software etc. We believe the above measures can help avoid the potential leakage of sensitive customers' information and our confidential information.

Intellectual Property Rights

We understand the importance of protecting intellectual property rights and reiterates the corresponding guidelines in the policies stated in our code of conduct. In order to protect our own intellectual property rights and trademarks, regular inspections and observations are in place to monitor any infringements by other parties.

Advertising

Our services do not involve the use of advertising.

INTEGRITY RESPONSIBILITY — ETHICAL BUSINESS CONDUCT

Ethical business conduct and employees' integrity is always the utmost important to our business. Upholding a high level of business ethics is made a requirement for all our employees, in which employees are expected to conduct job duties with full commitment towards compliance, integrity, and in good faith. At the same time, we are equally committed to ethical practices that maintain fairness trust, and openness within our operations.

Employees' integrity management

To uphold business integrity and a healthy corporate culture within the Group, all forms of bribery and corruption are strictly prohibited. A code of conduct has been developed to serve as a guideline for directors and employees to act with the highest level of integrity, commitment, and professionalism. These codes and policies provide guidance to employee behavioural norms and facilitate our integrity culture. Without the permission of our senior management, our employees shall not solicit or accept any benefits or advantages, including monetary and non-monetary gifts, loans, fee, reward, employment, contract, service, favour, etc., related to their work. In addition, under no circumstances shall a Director or employee offer an advantage to any person or company to influence any business dealings of that person or company.

Conduct Anti-corruption Training

We offer seminars on anti-corruption topics to our employees from time to time to freshen their understandings towards the latest regulations for maintaining integrity and a healthy corporate culture within the Group.

Reporting Mechanism

Besides, a whistle-blowing mechanism is in place, in which employees are welcome and encouraged to report any suspected cases of bribery or corruption through the system. Upon receiving any reported cases, the management will immediately investigate the matter and take further follow-up actions if 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 our core values, it is important for employees to uphold the abovementioned principles. During the Year, there was no concluded legal cases regarding corrupt practices brought against the Company or its employees.

GIVING BACK TO THE COMMUNITY

Community Investment

As a socially responsible corporation, we embark on making positive contributions to the industry and the community. We seek to facilitate community participation alongside our employees as much as possible, with the aim to benefit the society within and even beyond the confines of our business. In this regard, we engage in various charitable activities and encourages employees to participate in community services despite the continuous outbreak of COVID-19 during the Year. To further encourage the involvement of employees in charity donations to the needy, a One-to-One Charitable Donation Programme is designed to encourage and support employees making donations for giving back to the community, where we will make a one-to-one scale donation to the designated registered charities after employees have made the corresponding donation.

During the Year, we had contributed to the education and medical sector and provided a total of HKD$180,000 in forms of donations, sponsorships or scholarship to the Hong Kong Design Centre, Caritas Bianchi College of Careers and Yan Chai Hospital respectively. While the immediate financial aids can alleviate the pressing needs of financial hardships, we hope to support talented students to blossom and thrive in their learning journey, such that they can persevere their endeavours and continue developing the necessary skills and expertise for them to give back to the industry as an interior designer one day.

On the other hand, we also participated in a number of interior design-related activities to facilitate the exchange of industry experiences and expertise, as well as to encourage young talents to join the industry.

Participated in Hong Kong Interior Design Association CPD Webinar on 28 March 2022

Participated in the "Dialogue Speaker Series 2022" - 25 Years of Design Event for "The Celebration of HKSAR's 25th Anniversary of the establishment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Moreover, we have also engaged in various community works in the PRC during the Year, such as to be volunteers in helping to cope with COVID-19 diseases. During the Year, we have partaken in various volunteering works for a total of 157.75 hours with a total of 55 employees.

Our social contribution

HKD$ 180,000

Our Volunteering Service

157.75 service hours

55 employee volunteers

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

REGULATORY COMPLIANCE

We place high value on regulatory compliance, major ESG-related national and local laws and regulations we are complying include but not limited to:

- Waste Disposal Ordinance (Cap. 354 of the laws of Hong Kong)
- Environmental Impact Assessment Ordinance (Cap. 499 of the laws of Hong Kong)
- Environmental Protection Law of the PRC 《中華人民共和國環境保護法》
- Employment Ordinance (Cap. 57 of the laws of Hong Kong)
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the laws of Hong Kong)
- Labour Contract Law of the PRC 《中華人民共和國勞動合同法》
- Social Insurance Law of the PRC《中華人民共和國社會保險法》
- Occupational Safety and Health Ordinance (Cap. 509 of the laws of Hong Kong)
- Law of Prevention and Control of Occupational Diseases of the PRC《中華人民共和國職業病防治法》
- Copyright Law of the PRC《中華人民共和國商標法》
- Product Quality Law of the PRC《中華人民共和國產品質量法》
- Protection of Consumer Rights and Interests Law of the PRC 《中華人民共和國消費者權益保護法》
- Company Law of the PRC《中華人民共和國公司法》
- Personal Data (Privacy) Ordinance (Cap. 486 of the laws of Hong Kong)
- Prevention of Bribery Ordinance (Cap. 201 of the laws of Hong Kong)
- Anti-Money Laundering Law of the PRC《中華人民共和國反洗錢法》

We were not aware of any non-compliance with any ESG-related laws and regulations during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

ENVIRONMENTAL DATA

	2022	2021
EMISSIONS INDICATORS		
Air Emissions		
Total air emissions	**10.34 kg**	11.35 kg
Air emission intensity	**0.02 kg**	0.02 kg
NOx emission	**9.42 kg**	10.30 kg
SOx emission	**0.23 kg**	0.29 kg
PM emission	**0.69 kg**	0.76 kg
Greenhouse Gas Emissions		
Total greenhouse gas emissions	**809.82 tonnes**	932.46 tonnes
Greenhouse gas emission intensity	**1.54 tonnes per employee**	1.68 tonnes per employee
Scope 1 Direct emissions from vehicle usage and use of refrigerant	**44.82 tonnes**	52.90 tonnes
Scope 2 Emissions from Electricity Consumption	**700.23 tonnes**	672.29 tonnes
Scope 3 Emissions from Disposal of Paper Waste	**26.93 tonnes**	39.78 tonnes
Scope 3 Emissions from Water and Sewage Processing	**1.89 tonnes**	2.72 tonnes
Scope 3 Emissions from Business Travel by Employees	**35.95 tonnes**	164.77 tonnes
Non-hazardous Waste		
Total non-hazardous waste produced	**5.61 tonnes**	8.29 tonnes
Non-hazardous waste produced intensity	**0.011 tonnes per employee**	0.015 tonnes per employee
Hong Kong	**1.35 tonnes**	2.74 tonnes
Guangzhou	**2.12 tonnes**	2.88 tonnes
Shanghai	**0.75 tonnes**	1.85 tonnes
Beijing	**1.39 tonnes**	0.82 tonnes

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

ENVIRONMENTAL DATA (CONTINUED)

	2022	2021
USE OF RESOURCES INDICATORS		
Energy consumption		
Total energy consumption	**1,506,830.18 kWh**	1,483,781.55 kWh
Energy consumption intensity	**2,864.70 kWh per employee**	2,673.48 kWh per employee
Fuel consumption		
Total fuel consumption	**15,526.72 L/ 150,475.07 kWh**	19,534.12 L/ 189,312.30 kWh
Fuel consumption intensity	**286.07 kWh per employee**	341.10 kWh per employee
Electricity consumption		
Total electricity consumption	**1,356,355.11 kWh**	1,294,469.24 kWh
Electricity consumption intensity	**2,578.62 kWh per employee**	2,332.38 kWh per employee
Water consumption		
Total water consumption	**3,000.55 m^3**	4,317.43 m^3
Water consumption intensity	**5.70 m^3 per employee**	7.78 m^3 per employee

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

SOCIAL DATA

	2022	2021
EMPLOYMENT INDICATORS		
Employment		
Number of employees	**440**	560
By Employment Type (%)		
Full-time	**100%**	81%
Part-time	**0%**	19%
By Gender		
Male	**47%**	46%
Female	**53%**	54%
By Age Group		
18–25	**10%**	16%
26–35	**49%**	54%
36–45	**33%**	24%
46–55	**6%**	5%
Above 56	**2%**	1%
By Geographic Region		
Hong Kong	**25%**	25%
Guangzhou	**25%**	25%
Shanghai	**19%**	23%
Beijing	**31%**	27%
By Years of Service		
Under 1 year	**16%**	36%
1–3 years	**34%**	23%
3–5 years	**17%**	16%
5–10 years	**21%**	14%
Above 10 years	**12%**	11%

	2022	2021
Employment turnover		
Overall turnover rate (monthly average)	**4%**	4%
By Gender		
Male	**3%**	4%
Female	**4%**	3%
By Geographic Region		
Hong Kong	**3%**	3%
Guangzhou	**3%**	3%
Shanghai	**5%**	4%
Beijing	**4%**	4%
By Age Group		
18–25	**6%**	6%
26–35	**4%**	4%
36–45	**3%**	2%
46–55	**2%**	1%
Above 56	**1%**	4%
HEALTH AND SAFETY INDICATORS		
Number of reported injuries	**Nil**	3
Number of lost days	**Nil**	41
Number of fatalities	**Nil**	Nil
TRAINING AND DEVELOPMENT INDICATOR		
Number of internal training sessions	**10**	19
Number of attendants	**670**	486
Percentage of Trained Employees		
Overall training proportion	**52%**	63%
By Gender		
Male	**44%**	48%
Female	**56%**	52%
By Employee Category		
Frontline staff	**53%**	81%
Middle management	**43%**	17%
Senior management	**4%**	2%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

SOCIAL DATA (CONTINUED)

	2022	2021
Average training hours		
Average training hours per employee	**1.53**	2.19
By Gender		
Male	**1.09**	1.77
Female	**1.29**	1.43
By Employment Category		
Frontline staff	**1.19**	1.51
Middle management	**1.20**	1.85
Senior management	**1.25**	1.86
SUPPLY CHAIN MANAGEMENT INDICATORS		
Total number of suppliers	**332**	237
By Geographical Region		
Hong Kong	**29**	17
The PRC	**287**	207
Other regions	**16**	13
PRODUCT RESPONSIBILITY INDICATORS		
Total number of products subjected to recalls for health and safety reasons	**Nil**	Nil
Total number of complaints received	**6**	1
Total number of legal dispute case	**Nil**	Nil
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	**Nil**	Nil
COMMUNITY INVESTMENT INDICATORS		
Sponsorship	**HK$180,000**	HK$120,000
Total number of hours for employee volunteering work	**157.75**	403.50
Total number of employee volunteers	**55**	52

ESG REPORTING GUIDE AND REFERENCE

A. Environmental		Page(s)
A1. Emissions		
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.		P.63–68
KPI A1.1	The types of emissions and respective emission data.	P.63–68
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).	P.64–65
KPI A1.3	Total hazardous waste produced (in tonnes) and where appropriate, intensity (e.g per unit of production volume, per facility).	P.66–67
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g per unit of production volume, per facility).	P.66–67
KPI A1.5	Description of emission target(s) set, and steps taken to achieve them.	P.67–68
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.	P.67–68
A2. Use of Resources		
Policies on the efficient use of resources, including energy, water and other raw materials.		P.69–72
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).	P.69–70
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	P.71
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	P.72
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.	P.72
KPI KA2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	P.71
A3. The Environment and Natural Resources		
Policies on minimizing the issuer's significant impact on the environment and natural resources.		P.73–74
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P.73–74
A4. Climate Change		
Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		P.74–75
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.	P.74–75

B. Social		Page(s)
B1. Employment		
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.		P.76–79
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	P.76
KPI B1.2	Employment turnover rate by gender, age group and geographical region.	P.79

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

B. Social		Page(s)
B2. Health and Safety		
Policies and compliance with laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.		P.79–80
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	P.80
KPI B2.2	Lost days due to work injury.	P.80
KPI B2.3	Description of occupational health and safety measures adopted how they are implemented and monitored.	P.79–80
B3. Development and training		
Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		P.81
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management, etc.).	P.81
KPI B3.2	The average training hours completed per employee by gender and employee category.	P.81
B4. Labour standards		
Policies and compliance with laws and regulations relating to preventing child and forced labour.		P.82
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	P.82
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	P.82
B5. Supply chain management		
Policies on managing environmental and social risks of the supply chain.		P.82–84
KPI B5.1	Number of suppliers by geographical region.	P.83
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.	P.83–84
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P.83–84
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P.84
B6. Product responsibility		
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.		P.85–87
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	P.85
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	P.85
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	P.87
KPI B6.4	Description of quality assurance process and recall procedures.	P.84–85
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P.86
B7. Anti-corruption		
Policies and compliance with laws and regulations relating to bribery, extortion, fraud and money laundering.		P.87
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.	P.87
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P.87
KPI B7.3	Description of anti-corruption training provided to directors and staff.	P.87
B8. Community investment		
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.		P.88–89
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	P.88–89
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	P.88–89

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 40 to the consolidated financial statements of this annual report.

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 120.

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

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 of this report. 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.

DIRECTORS' REPORT (CONTINUED)

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, adoption of electronic approval system, 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 of this annual report. The financial risk management objectives and policies of the Group are set out in note 36 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.

DIRECTORS' REPORT (CONTINUED)

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 204.

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 of this annual report.

RESERVES

Movements in the reserves of the Group during the Year ended 31 December 2022 are set out in the consolidated statement of changes in equity on pages 123 to 124 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2022, 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$262.5 million (Previous Year: HK$258.7 million).

DIRECTORS

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

Executive Directors
Mr. Leung Chi Tien Steve (appointed on 14 February 2023)
Mr. Siu Man Hei *(Chief Executive Officer)*
Mr. Yip Kwok Hung Kevin *(Chief Financial Officer)*
Mr. Ding Chunya
Ms. Kau Wai Fun (resigned on 14 February 2023)

Non-Executive Directors
Mr. Xu Xingli *(Chairman)*
Mr. Ding Jingyong

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

DIRECTORS' REPORT (CONTINUED)

Mr. Leung Chi Tien, Steve, Mr. Siu Man Hei, Mr. Xu Xingli and Mr. Tsang Ho Ka Eugene, shall retire, and being eligible, offer themselves for re-election at the forthcoming AGM pursuant to the articles of association.

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

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 INEDs 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 INEDs 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 INEDs 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. Leung Chi Tien, Steve (Note)	Long	Interest in controlled corporation	256,500,000	–	22.47%
Mr. Siu Man Hei	Long	Beneficial owner	–	10,032,000	0.88%
Mr. Ding Jingyong	Long	Beneficial owner	90,000	–	0.01%

Note: 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.

Save as disclosed in the foregoing, as at the date of this report, having made 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:

DIRECTORS' REPORT (CONTINUED)

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	Long	Beneficial owner	256,500,000	22.47%
Ms. Chan Siu Wan (Note 8)	Long	Interest of spouse	256,500,000	22.47%

Notes:

1. On the basis of 1,141,401,000 share capital in issue as at 31 December 2022.

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

4. Jangho HK is wholly and beneficially owned by Jangho 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. 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.

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 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.

DIRECTORS' REPORT (CONTINUED)

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 2022	Exercised during the Year	Forfeited during the Year (Note 1)	As at 31 December 2022
Executive Director					
Mr. Siu Man Hei	15/06/2018	10,032,000	–	–	10,032,000
Senior management and other employees	15/06/2018	18,783,600	–	(121,200)	18,662,400
		28,815,600	–	(121,200)	28,694,400

Notes:

1. These are in respect of options granted to an employee under continuous contract who has subsequently resigned. Such options have been forfeited during the Year.

2. For further details, please refer to note 38 to the consolidated financial statements of this annual report.

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 INED) of any member of the Group;

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

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

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

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

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

The Board shall set out in the offer the terms on which the option is to be granted. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 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 INEDs (excluding INEDs who or whose associates is the grantee of an options). Where any grant of options to a substantial shareholder or an INED, 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.

DIRECTORS' REPORT (CONTINUED)

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.

Should the Company decide to grant any share option under the Share Option Scheme, such grant(s) will be made in compliance with the amended Chapter 17 of the Listing Rules which took effect on 1 January 2023.

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[1]) ("**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.

[1] *For identification purpose only*

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 RMB8,382,000 (equivalent to approximately HK$9,750,000) and nil, respectively.

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 INEDs 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 34 to the consolidated financial statements of this annual report 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 34 to the consolidated financial statements of this annual report, 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 34 to the consolidated financial statements of this annual report.

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 INEDs) has reviewed and confirmed that each of the controlling shareholders of the Company had complied with the Deed of Non-Competition.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND PERMITTED INDEMNITY PROVISIONS

Pursuant to the articles of association, 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 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.

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 39 to the consolidated financial statements of this annual report.

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.

DIRECTORS' REPORT (CONTINUED)

CHARITABLE DONATIONS

Donations made by the Company during the Year for charity amounted to HK$80,000 (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 51 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events subsequent to 31 December 2022 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 resigned as the external auditor of the Company and on 23 July 2021, BDO Limited has been appointed as the external auditor 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, 28 March 2023

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF STEVE LEUNG DESIGN GROUP LIMITED
(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 (together the "**Group**") set out on pages 120 to 203, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 2022, 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 period. 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)

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$280,387,000 for the year ended 31 December 2022.

Our response:

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)

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 2022, the carrying amounts of trade receivables and contract assets are HK$174,515,000 (net of allowance for credit losses of HK$89,390,000) and HK$66,781,000 (net of allowance for credit losses of HK$16,716,000), 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 36 to the consolidated financial statements, a total net impairment losses of HK$30,351,000 in respect of the trade receivables and contract assets was recognised in profit or loss by the Group for the year ended 31 December 2022.

Our response:

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 2022, 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 2022, 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 in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Company's 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.

Directors' Responsibilities for the Consolidated Financial Statements

The directors 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.

The directors are responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our 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 the Audit Committee 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We also provide the Audit Committee 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 the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period 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.

BDO Limited
Certified Public Accountants

LAU Kin Tat, Terry
Practising Certificate no. P07676

Hong Kong, 28 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue	5	**381,002**	455,035
Cost of sales		**(241,752)**	(266,139)
Gross profit		**139,250**	188,896
Other gains and losses	7	**(5,098)**	5,579
Impairment losses on trade receivables and contract assets under expected credit loss model		**(30,351)**	(40,165)
Other income	8	**3,191**	7,184
Administrative expenses		**(163,035)**	(151,943)
Finance costs	9	**(3,683)**	(4,010)
(Loss) profit before taxation		**(59,726)**	5,541
Income tax expense	10	**(162)**	(3,893)
(Loss) profit for the year	11	**(59,888)**	1,648
Other comprehensive (expense) income that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(23,293)**	8,819
Total comprehensive (expense) income for the year		**(83,181)**	10,467
(Loss) profit for the year attributable to:			
— Owners of the Company		**(62,441)**	2,940
— Non-controlling interests		**2,553**	(1,292)
		(59,888)	1,648
Total comprehensive (expense) income for the year attributable to:			
— Owners of the Company		**(84,997)**	11,559
— Non-controlling interests		**1,816**	(1,092)
		(83,181)	10,467
(Loss) earnings per share (expressed in Hong Kong cents)	15		
— Basic		**(5.47)**	0.26
— Diluted		**(5.47)**	0.26

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	NOTES	**2022** **HK$'000**	2021 HK$'000
Non-current Assets			
Property, plant and equipment	16	**13,872**	25,655
Right-of-use assets	17	**39,499**	44,128
Intangible assets	18	**2,028**	2,665
Goodwill	19	**1,205**	1,319
Deposits paid for acquisition of property, plant and equipment	24	**4,503**	347
Rental deposits	24	**6,327**	6,595
Deferred tax assets	20	**44,280**	32,241
		111,714	112,950
Current Assets			
Inventories	21	**42**	1,008
Financial assets at fair value through profit or loss	22	**–**	30,300
Trade receivables	23	**174,515**	172,591
Other receivables, deposits and prepayments	24	**16,430**	19,748
Contract assets	25	**66,781**	65,983
Tax recoverable		**263**	43
Pledged bank deposits	26	**–**	558
Bank balances and cash	26	**153,338**	246,661
		411,369	536,892
Current Liabilities			
Trade payables	27	**40,737**	36,996
Other payables and accrued charges	27	**24,336**	27,177
Bank borrowings	28	**30,000**	20,000
Lease liabilities	29	**16,490**	24,293
Contract liabilities	30	**24,044**	25,353
Tax liabilities		**22,263**	16,001
		157,870	149,820
Net Current Assets		**253,499**	387,072
Total Assets less Current Liabilities		**365,213**	500,022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2022

	NOTES	**2022 HK$'000**	2021 HK$'000
Capital and Reserves			
Share capital	31	**11,414**	11,414
Reserves		**315,007**	455,502
Equity attributable to owners of the Company		**326,421**	466,916
Non-controlling interests		**12,784**	10,968
Total Equity		**339,205**	477,884
Non-current Liabilities			
Deferred tax liabilities	20	**1,335**	228
Lease liabilities	29	**24,673**	21,910
		26,008	22,138
		365,213	500,022

The consolidated financial statements on pages 120 to 203 were approved and authorised for issue by the Board of Directors on 28 March 2023 and are signed on its behalf by:

SIU MAN HEI	**YIP KWOK HUNG KEVIN**
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2021	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
(Loss) profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(62,441)**	**(62,441)**	**2,553**	**(59,888)**
Exchange difference arising on translation of foreign operations	**-**	**-**	**-**	**-**	**(22,556)**	**-**	**-**	**-**	**(22,556)**	**(737)**	**(23,293)**
Total comprehensive (expense) income for the year	**-**	**-**	**-**	**-**	**(22,556)**	**-**	**-**	**(62,441)**	**(84,997)**	**1,816**	**(83,181)**
Dividend recognised as distribution (note 14)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(57,070)**	**(57,070)**	**-**	**(57,070)**
Recognition of equity settled long-term employee benefits	**-**	**-**	**-**	**-**	**-**	**1,572**	**-**	**-**	**1,572**	**-**	**1,572**
Forfeited share options	**-**	**-**	**-**	**-**	**-**	**(14)**	**-**	**14**	**-**	**-**	**-**
At 31 December 2022	**11,414**	**258,224**	**(112,360)**	**7,171**	**(16,835)**	**12,964**	**43,119**	**122,724**	**326,421**	**12,784**	**339,205**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2022

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 37 and 38, 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 2022

	NOTES	**2022 HK$'000**	2021 HK$'000
OPERATING ACTIVITIES			
(Loss) profit before taxation		**(59,726)**	5,541
Adjustments for:			
Amortisation of intangible assets		**424**	482
Depreciation of property, plant and equipment		**10,945**	13,730
Depreciation of right-of-use assets		**24,787**	26,056
Expense recognised in respect of Conversion Scheme and share option scheme	38	**1,572**	1,572
Loss on disposals of property, plant and equipment		**15**	56
Loss on disposals of intangible assets		**–**	10
Written off of inventories		**974**	–
Fair value gain on financial assets at fair value through profit or loss		**–**	(309)
Gain on lease modification		**–**	(2,145)
Finance costs		**3,683**	4,010
Impairment losses on trade receivables under expected credit loss model		**30,462**	29,743
(Reversal of) impairment losses on contract assets under expected credit loss model		**(111)**	10,422
Interest income		**(431)**	(953)
Operating cash flows before movements in working capital		**12,594**	88,215
(Increase) decrease in inventories		**(8)**	150
(Increase) decrease in trade receivables		**(44,445)**	21,443
Decrease in other receivables, deposits and prepayments		**3,586**	9,316
Increase in contract assets		**(5,381)**	(24,369)
Increase in trade payables		**3,741**	4,233
Decrease in other payables and accrued charges		**(2,841)**	(17,520)
Increase in contract liabilities		**994**	6,017
Net cash (used in) generated from operations		**(31,760)**	87,485
Income tax paid		**(3,453)**	(20,652)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		**(35,213)**	66,833

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
INVESTING ACTIVITIES		
Additions to financial assets at fair value through profit or loss	–	(79,851)
Additions to property, plant and equipment	(4,815)	(5,876)
Payments for rental deposits	–	(1,360)
Placement of pledged bank deposits	–	(550)
Additions to intangible assets	(2)	–
Interest received	431	953
Withdrawal of pledged bank deposits	558	7,331
Proceeds from disposal of property, plant and equipment	1	50
Proceeds from disposal of financial assets at fair value through profit or loss	30,300	49,972
NET CASH FROM (USED IN) INVESTING ACTIVITIES	26,473	(29,331)
FINANCING ACTIVITIES		
Repayments of bank borrowings	(160,000)	(146,908)
Repayment of lease liabilities	(25,062)	(24,963)
Dividend paid	(57,070)	(34,228)
Finance costs paid for lease liabilities	(1,862)	(2,289)
Interest paid	(1,821)	(1,721)
New bank borrowings raised	170,000	140,000
Net proceeds from issuance of shares upon exercise of share options	–	212
NET CASH USED IN FINANCING ACTIVITIES	(75,815)	(69,897)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(84,555)	(32,395)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	246,661	275,263
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(8,768)	3,793
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH	153,338	246,661

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION AND REORGANISATION

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 40.

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 2022 for the preparation of the 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

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)

2.1 AMENDMENTS TO HKFRS 3 REFERENCE TO THE CONCEPTUAL FRAMEWORK

The amendments update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 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 consolidated financial statements of the Group.

2.2 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 consolidated financial statements of the Group.

2.3 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 consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

2.4 ANNUAL IMPROVEMENTS TO HKFRSS 2018–2020

The annual improvements make amendments to the following standards:

- 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 consolidated financial statements of the Group.

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:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised)[2]
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 HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)[2]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 The amendments shall be applied prospectively to the sale or contribution of assets occurring in 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Consolidation (Continued)

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.

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).

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Combinations (Continued)

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.

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.

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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.

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)

Right-Of-Use Assets (Continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

3.2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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* ("**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.

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.

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)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

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.

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.

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)

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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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)

(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 different historical loss patterns or credit-impaired are assessed for ECL individually. In addition, 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 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 36, 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 2022 and 31 December 2021 is as follows:

	2022 **HK$'000**	2021 HK$'000
Service revenue	**280,387**	361,212
License fee revenue	**2,896**	5,729
Trading income	**97,719**	88,094
	381,002	455,035

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5. REVENUE (CONTINUED)

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

For the year ended 31 December 2022

	Interior design services HK$'000	Interior decorating and furnishing services HK$'000	Product design services HK$'000	Total HK$'000
Geographical markets				
Hong Kong	19,721	3,877	30	23,628
PRC	221,568	107,056	1,421	330,045
Other regions	25,141	743	1,445	27,329
	266,430	111,676	2,896	381,002
Timing of revenue recognition				
Over time				
Service revenue	266,430	13,957	–	280,387
At point in time				
License fee revenue	–	–	2,896	2,896
Trading income	–	97,719	–	97,719
	–	97,719	2,896	100,615
	266,430	111,676	2,896	381,002

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

5. REVENUE (CONTINUED)

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

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)

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 range 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 2022 and 2021 is within one year. As permitted under HKFRS 15 *Revenue from Contracts with Customers*, the transaction price allocated to these unsatisfied contracts is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022				
Revenue				
Segment revenue from external customers	**266,430**	**111,676**	**2,896**	**381,002**
Results				
Segment results	**(33,608)**	**(11,862)**	**(1,383)**	**(46,853)**
Unallocated expenses (Note 1)				**(9,621)**
Interest income				**431**
Finance costs				**(3,683)**
Loss before taxation				**(59,726)**

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 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)
Change in fair value of financial assets at FVTPL				309
Interest income				953
Finance costs				(4,010)
Profit before taxation				5,541

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022			
Amortisation of intangible assets	**424**	**–**	**424**
Written off of inventories	**–**	**974**	**974**
Depreciation of property, plant and equipment	**10,306**	**639**	**10,945**
Depreciation of right-of-use assets	**20,318**	**4,469**	**24,787**
Loss on disposals of property, plant and equipment	**15**	**–**	**15**
Impairment losses on trade receivables under ECL model	**20,964**	**9,498**	**30,462**
(Reversal of) impairment losses on contract assets under ECL model	**(701)**	**590**	**(111)**

	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

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.

	2022 **HK$'000**	2021 HK$'000
External revenue:		
Hong Kong	**23,628**	30,224
PRC	**330,045**	389,926
Other regions	**27,329**	34,885
	381,002	455,035

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

	2022 **HK$'000**	2021 HK$'000
PRC	**55,659**	53,973
Hong Kong	**11,775**	26,736
	67,434	80,709

INFORMATION ABOUT MAJOR CUSTOMERS

During the years ended 31 December 2022 and 2021, 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 2022

7. OTHER GAINS AND LOSSES

	2022 HK$'000	2021 HK$'000
Exchange (loss) gain, net	**(5,083)**	3,191
Gain on lease modification	**–**	2,145
Changes in fair value of financial assets at FVTPL	**–**	309
Loss on disposals of property, plant and equipment	**(15)**	(56)
Loss on disposals of intangible assets	**–**	(10)
	(5,098)	5,579

8. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Grants received from local government (Note 1)	**1,226**	769
Interest income from bank deposits	**431**	953
PRC incentive rebates (Note 2)	**85**	2,991
Miscellaneous income	**1,449**	2,471
	3,191	7,184

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 relevant 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.

9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest on bank borrowings	**1,821**	1,721
Interest on lease liabilities	**1,862**	2,289
	3,683	4,010

10. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Current tax:		
Hong Kong Profits Tax	**–**	118
PRC Enterprise Income Tax	**11,584**	11,319
	11,584	11,437
Under (over) provision in prior years:		
Hong Kong Profits Tax	**244**	(30)
PRC Enterprise Income Tax	**31**	207
	275	177
Deferred taxation (note 20)	**(11,697)**	(7,721)
	162	3,893

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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

10. INCOME TAX EXPENSE (CONTINUED)

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 (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 **HK$'000**	2021 HK$'000
(Loss) profit before taxation	**(59,726)**	5,541
Tax at applicable tax rate of 16.5% (2021: 16.5%)	**(9,855)**	914
Tax effect of income not taxable for tax purpose	**(632)**	(2,879)
Tax effect of expenses not deductible for tax purpose	**2,369**	563
Tax effect of tax losses not recognised	**7,773**	2,525
Utilisation of tax losses previously not recognised	**(12)**	–
Effect of different tax rate of the PRC subsidiaries operating in other jurisdiction	**244**	2,593
Under provision in prior years	**275**	177
Income tax expense for the year	**162**	3,893

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

11. (LOSS) PROFIT FOR THE YEAR

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

	2022 HK$'000	2021 HK$'000
Amortisation of intangible assets		
— included in cost of sales	**198**	242
— included in administrative expenses	**226**	240
	424	482
Auditor's remunerations	**1,080**	1,080
Cost of inventories recognised as an expense	**61,307**	55,782
Written off of inventories	**974**	–
Depreciation of right-of-use assets	**24,787**	26,056
Depreciation of property, plant and equipment	**10,945**	13,730
Staff costs (Note):		
Directors' emoluments (note 12)	**11,670**	12,459
Other staffs		
— basic salaries, allowances and other benefits	**172,393**	167,853
— discretionary bonus	**15,820**	28,484
— retirement benefits scheme contributions	**23,842**	23,837
— expense recognised in respect of Conversion Scheme (note 37) and share option scheme (note 38)	**1,048**	1,048
	213,103	221,222
	224,773	233,681

Note: For the year ended 31 December 2022, COVID-19 related government assistance amounted to HK$3,112,000 in relation to the Employment Support Scheme under the Anti-epidemic Fund launched by the Hong Kong Special Administrative Region Government have been offset against the staff costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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$'000 (Notes 37 and 38)	Total HK$'000
For the year ended 31 December 2022						
Executive directors:						
Siu Man Hei (Note (a))	–	3,837	1,706	180	524	6,247
Yip Kwok Hung Kevin (Note (b))	–	1,536	1,150	75	–	2,761
Ding Chunya	–	501	42	99	–	642
Kau Wai Fun (Note (f))	–	1,200	44	56	–	1,300
Non-executive directors:						
Xu Xingli	180	–	–	–	–	180
Ding Jingyong (Note (e))	–	–	–	–	–	–
Independent non-executive directors:						
Tsang Ho Ka Eugene	180	–	–	–	–	180
Liu Yi	180	–	–	–	–	180
Sun Yansheng	180	–	–	–	–	180
	720	7,074	2,942	410	524	11,670

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$'000 (notes 37 and 38)	Total HK$'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

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.

(f) Kau Wai Fun resigned as executive director with effect from 14 February 2023.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

13. FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

The five highest paid individuals of the Group during the year ended 31 December 2022 included two (2021: two) directors of the Company, details of whose emoluments are included in note 12 above. The emoluments of the remaining three (2021: three) highest paid employees are as follows:

	2022 HK$'000	2021 HK$'000
Basic salaries, allowances and other benefits	**10,010**	8,650
Discretionary bonus (Note)	**3,509**	3,883
Retirement benefits scheme contributions	**477**	469
	13,996	13,002

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 2022	2021
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**2**	1
HK$8,500,001 to HK$9,000,000	**–**	1
HK$9,000,001 to HK$9,500,000	**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

	2022 HK$'000	2021 HK$'000
Dividends for ordinary shareholders of the Company recognised as distributions during the year:		
2021 special dividend-HK5.00 cents (2020 final dividend: HK3.00 cents) per share	**57,070**	34,228

The directors of the Company do not recommend the payment of any dividend for the year ended 31 December 2022 (2021: a special dividend of HK5.00 cents per share).

15. (LOSS) EARNINGS PER SHARE

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

	2022 HK$'000	2021 HK$'000
(Loss) earnings		
(Loss) profit for the year attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(62,441)**	2,940

	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,141,401,000**	1,140,969,750
Effect of dilutive potential ordinary shares in respect of outstanding share options	**–**	10,665,415
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,141,401,000**	1,151,635,165

The computation of diluted loss per share for the year ended 31 December 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 year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2021	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
Additions	–	–	659	–	659
Disposals	–	–	(145)	–	(145)
Exchange realignments	(2,605)	–	(1,748)	(57)	(4,410)
At 31 December 2022	41,383	2,530	35,097	7,248	86,258
DEPRECIATION					
At 1 January 2021	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
Provided for the year	6,775	284	3,099	787	10,945
Eliminated upon disposals	–	–	(129)	–	(129)
Exchange realignments	(1,816)	–	(1,087)	(26)	(2,929)
At 31 December 2022	35,486	2,485	29,166	5,249	72,386
CARRYING VALUES					
At 31 December 2022	5,897	45	5,931	1,999	13,872
At 31 December 2021	13,461	329	9,048	2,817	25,655

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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

17. RIGHT-OF-USE ASSETS

	Leased properties HK$'000	Office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
AS AT 31 DECEMBER 2022				
Carrying amount	35,838	3,661	–	39,499
AS AT 31 DECEMBER 2021				
Carrying amount	40,728	3,209	191	44,128
FOR THE YEAR ENDED 31 DECEMBER 2022				
Depreciation charge	23,132	1,464	191	24,787
Expense relating to short-term leases				138
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets				16
Total cash flow for leases				27,078
Additions to right-of-use assets				22,864
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 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 (2021: 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 2022 and 2021, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2021	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
Additions	2	–	–	2
Exchange realignments	(553)	–	(121)	(674)
At 31 December 2022	5,810	1,207	787	7,804
AMORTISATION				
At 1 January 2021	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
Provided for the year	424	–	–	424
Exchange realignments	(338)	–	(121)	(459)
At 31 December 2022	3,782	1,207	787	5,776
CARRYING VALUES				
At 31 December 2022	2,028	–	–	2,028
At 31 December 2021	2,665	–	–	2,665

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 2020. 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 2021	1,278
Exchange realignments	41
At 31 December 2021	1,319
Exchange realignments	(114)
At 31 December 2022	1,205

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 2022, 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 15.77 % (2021: 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% (2021: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 HK$'000	Allowance for credit losses HK$'000	Tax losses HK$'000	Unrealised profits HK$'000	Total HK$'000
At 1 January 2021	(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)
(Credit) charge to profit or loss	(120)	(6,240)	(6,421)	1,084	(11,697)
Exchange realignments	–	827	–	(62)	765
At 31 December 2022	(954)	(23,995)	(19,201)	1,205	(42,945)

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

	2022 HK$'000	2021 HK$'000
Deferred tax assets	**(44,280)**	(32,241)
Deferred tax liabilities	**1,335**	228
	(42,945)	(32,013)

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 2022, 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$153,054,000 (2021: HK$171,473,000). 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 2022, the Group had unused estimated tax losses of HK$208,077,000 (2021: HK$122,610,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such tax losses of HK$116,368,000 (2021: HK$77,452,000). No deferred tax asset has been recognised on the remaining tax losses of HK$91,709,000 (2021: HK$45,158,000) 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 2022

21. INVENTORIES

Inventories represent finished goods for trading purpose.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 HK$'000	2021 HK$'000
Financial assets at FVTPL		
— Unlisted fund investments	**–**	30,300

23. TRADE RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**169,001**	162,366
Less: allowance for credit losses	**(54,480)**	(38,585)
Trade receivables (net carrying amount)	**114,521**	123,781
Unbilled receivables (Note)	**94,904**	75,916
Less: allowance for credit losses	**(34,910)**	(27,106)
Unbilled receivables (net carrying amount)	**59,994**	48,810
	174,515	172,591

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 year end.

Included in the carrying amount of trade receivables as at 31 December 2022 is an amount of HK$20,192,000 (2021: HK$12,581,000) due from related parties controlled by a controlling shareholder of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

23. TRADE RECEIVABLES (CONTINUED)

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

	2022 HK$'000	2021 HK$'000
0 to 30 days	**35,838**	47,195
31 to 90 days	**13,165**	19,026
91 to 180 days	**19,162**	12,019
181 days to 1 year	**17,244**	11,734
Over 1 year	**29,112**	33,807
	114,521	123,781

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

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$114,521,000 (2021: HK$123,781,000) which are past due as at the reporting date. Out of the past due balances, HK$65,518,000 (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 31 December 2022, the Group's trade receivables of HK$19,142,000 (31 December 2021: Nil) are collateralised by certain PRC properties of customers, of which HK$16,865,000 are related to debtors with balances due over 1 year.

Details of impairment assessment for the year ended 31 December 2022 are set out in note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 HK$'000	2021 HK$'000
Other receivables	**9,113**	5,761
Value-added tax recoverable	**3,176**	5,050
Prepayments of expenses	**2,986**	3,363
Rental deposits	**6,327**	6,595
PRC tax rebates	**358**	4,916
Deposits paid for acquisition of property, plant and equipment	**4,503**	347
Other deposits	**797**	658
	27,260	26,690
Analysed as:		
Current	**16,430**	19,748
Non-current — Deposits paid for acquisition of property, plant and equipment	**4,503**	347
Non-current — Rental deposits	**6,327**	6,595
	27,260	26,690

Details of impairment assessment for the year ended 31 December 2022 are set out in note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

25. CONTRACT ASSETS

	2022 HK$'000	2021 HK$'000
Interior design services	**78,696**	80,386
Interior decorating and furnishing services	**4,801**	4,071
Less: allowance for credit losses	**(16,716)**	(18,474)
	66,781	65,983

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 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 31 December 2022 is an amount of HK$2,042,000 (2021: HK$2,314,000) 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 range from 10% to 20% of total contract sum as part of its credit risk management policies.

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

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

Details of impairment assessment for the year ended 31 December 2022 are set out in note 36.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

26. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

As at 31 December 2022, no bank deposits (2021: HK$558,000) was pledged to a bank to secure a performance bond. The pledged bank deposits as at 31 December 2021 carry interest of 0.30% 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 months and earn interest at respective short-term deposits rates.

As at 31 December 2022, the bank balances and cash of the Group denominated in Renminbi ("**RMB**") amounted to HK$116,073,000 (2021: HK$165,153,000).

Details of impairment assessment for the year ended 31 December 2022 are set out in note 36.

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:

	2022 **HK$'000**	2021 HK$'000
0 to 180 days	**21,335**	26,726
Over 180 days	**19,402**	10,270
	40,737	36,996

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

	2022 **HK$'000**	2021 HK$'000
Accrued staff benefits	**16,526**	20,610
Deposits received from customers	**139**	127
Other payables and accrued charges	**7,671**	6,440
	24,336	27,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

28. BANK BORROWINGS

	2022 **HK$'000**	2021 HK$'000
Unsecured	**30,000**	20,000
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	**30,000**	20,000

As at 31 December 2022, included in the Group's borrowings are variable-rate borrowings of HK$30,000,000 (2021: HK$20,000,000) carrying interest ranging from 2.50% to 3.75% (2021: 3.25%) per annum over Hong Kong Interbank Offering Rate.

29. LEASE LIABILITIES

	2022 **HK$'000**	2021 HK$'000
Within one year	**16,490**	24,293
Within a period of more than one year but not more than two years	**13,267**	12,594
Within a period of more than two years but not more than five years	**11,406**	9,316
	41,163	46,203
Less: Amount due for settlement within 12 months shown under current liabilities	**(16,490)**	(24,293)
Amount due for settlement after 12 months shown under non-current liabilities	**24,673**	21,910

The weighted average lease's incremental borrowing rates applied by the Group ranged from 1.3% to 5.9% (2021: 1.3% to 5.9%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

30. CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Interior design services	**8,667**	10,486
Interior decorating and furnishing services	**15,377**	14,867
	24,044	25,353

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:

	2022 HK$'000	2021 HK$'000
Balance at the beginning of the year	**25,353**	18,336
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	**(13,973)**	(13,333)
Increase in contract liabilities as a result of receiving deposits from the customers	**14,968**	19,350
Exchange realignments	**(2,304)**	1,000
Balance at the end of the year	**24,044**	25,353

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.

31. SHARE CAPITAL

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

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 share option scheme adopted on 11 June 2018 by an employee of the Group. Details are set out in note 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

32. FINANCIAL INFORMATION OF THE COMPANY

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

	2022 HK$'000	2021 HK$'000
Non-current Asset		
Interests in subsidiaries	**112,900**	112,900
Current Assets		
Amount due from a subsidiary	**160,845**	113,748
Other receivables	**233**	289
Bank balances and cash	**187**	43,311
	161,265	157,348
Current Liabilities		
Other payables and accrued charges	**229**	137
Net Current Assets	**161,036**	157,211
Total Assets less Current Liabilities	**273,936**	270,111
Capital and Reserves		
Share capital (note 31)	**11,414**	11,414
Reserves	**262,522**	258,697
Total Equity	**273,936**	270,111

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$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 January 2021	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
Dividend recognised as distributions	–	(57,070)	(57,070)
Profit and total comprehensive income for the year	–	60,895	60,895
At 31 December 2022	258,224	4,298	262,522

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. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2021, the Group had lease modification of HK$2,145,000.

During the year ended 31 December 2022, the Group entered into new lease arrangements for the use of leased properties for 2–5 years (2021: 2–4 years). On the lease commencement, the Group recognised HK$22,864,000 (2021: HK$8,411,000) right-of-use assets and lease liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

34. 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	2022 HK$'000	2021 HK$'000
Fellow subsidiary	Consultancy service expense	**561**	648
	Interest on lease liabilities	**–**	35
	Interior design service income	**9,750**	7,344
	Referral fee	**–**	93
	Repayment of lease liabilities	**–**	1,162
	Rental expense	**1,551**	–
Related company (Note 1)	Interior design service income	**36**	–
Related company (Note 2)	Interior design service income and sales of interior decorative products	**351**	32

Notes:

1. Leung Chi Tien Steve, a director of SLD and a shareholder of the Company holds beneficial interests over the related company.

2. 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:

	2022 HK$'000	2021 HK$'000
Basic salaries, allowance and other benefits	**7,469**	6,050
Discretionary bonus	**1,688**	2,421
Retirement benefits scheme contributions	**285**	285
	9,442	8,756

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

35. 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:

	2022 **HK$'000**	2021 HK$'000
Debt	**30,000**	20,000
Cash and cash equivalents	**(153,338)**	(246,661)
Net debt	**(123,338)**	(226,661)
Equity attributable to the owners of the Company	**326,421**	466,916
Net debt to equity ratio	**N/A**	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets		
Financial assets at amortised cost	**344,090**	432,824
Financial assets at FVTPL	**–**	30,300
	344,090	463,124
Financial liabilities		
Amortised cost	**94,934**	84,046

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.

36. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

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:

	2022		2021	
	Assets HK$'000	**Liabilities HK$'000**	Assets HK$'000	Liabilities HK$'000
United States dollars ("**US$**")	**21,085**	**–**	56,233	–
RMB	**40,130**	**254**	64,137	601
Euro ("**EUR**")	**1,970**	**–**	990	–
Singapore ("**SGD**")	**1,400**	**–**	2,693	–
Great British Pound ("**GBP**")	**2,548**	**–**	3,821	–
Dirham ("**AED**")	**123**	**–**	275	–
HK$	**604**	**–**	604	–
Inter-company balances RMB	**16,404**	**–**	23,043	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

36. 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	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
Decrease/increase post-tax loss/profit for the year	**2,350**	3,615	**82**	41	**58**	112	**106**	160	**5**	11	**25**	25

Credit Risk and Impairment Assessment

As at 31 December 2022, 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$30,351,000 (2021: HK$40,165,000) in respect of the trade receivables and contract assets were recognised in profit or loss by the Group for the year ended 31 December 2022.

For other receivables, the management of the Group makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management considered that the impairment was insignificant and therefore no impairment loss was recognised in profit or loss during the year.

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.

36. 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

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

2022	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	**153,011**	**153,011**
Certain other receivables	24	Low risk	12m ECL	**16,237**	**16,237**
Trade receivables	23	Low risk	Lifetime ECL — not credit-impaired	**134,648**	
		Watch list	Lifetime ECL — not credit-impaired	**53,521**	
		Doubtful	Lifetime ECL — not credit-impaired	**24,123**	
		Loss	Lifetime ECL — credit-impaired	**51,613**	**263,905**
Other items					
Contract assets	25	Low risk	Lifetime ECL — not credit-impaired	**70,051**	
		Doubtful	Lifetime ECL — not credit-impaired	**2,518**	
		Loss	Lifetime ECL — credit-impaired	**10,928**	**83,497**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

36. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

Credit Risk and Impairment Assessment (Continued)

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

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 after considering internal credit rating of trade debtors based on ageing, repayment history and/or past due status of respective trade receivables, other than customers with different historical loss patterns 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).

36. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

Credit Risk and Impairment Assessment (Continued)

Gross Carrying Amount

Internal credit rating	**2022** Average loss rate	Trade receivables HK$'000	Contract assets HK$'000	2021 Average loss rate	Trade receivables HK$'000	Contract assets HK$'000
Low risk	**6.4%**	**134,648**	**70,051**	2.9%	151,913	63,778
Watch list	**32.1%**	**53,521**	**–**	29.9%	22,509	–
Doubtful	**50.1%**	**24,123**	**2,518**	41.2%	19,368	3,289
		212,292	**72,569**		193,790	67,067

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 2022, the Group provided HK$30,462,000 (2021: HK$29,743,000) and HK$(111,000) (2021: HK$10,422,000) net impairment allowance for trade receivables and contract assets respectively. Impairment allowance of HK$51,613,000 (2021: HK$44,492,000) and HK$10,928,000 (2021: HK$17,390,000) were made on credit-impaired trade receivables and contract assets respectively, as at 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

36. 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 2021	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
Net impairment recognised in profit or loss	24,631	5,720	30,351
Written off	(653)	–	(653)
Exchange realignments	(2,696)	(5,061)	(7,757)
As at 31 December 2022	43,565	62,541	106,106

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

36. 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 2022						
Trade payables	**–**	**40,737**	**–**	**–**	**40,737**	**40,737**
Other payables and accrued charges	**–**	**24,197**	**–**	**–**	**24,197**	**24,197**
Bank borrowings	**–**	**30,000**	**–**	**–**	**30,000**	**30,000**
Lease liabilities	**5.46**	**6,551**	**11,729**	**26,464**	**44,744**	**41,163**
		101,485	**11,729**	**26,464**	**139,678**	**136,097**
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

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 2022, the aggregate undiscounted principal amounts of the bank borrowing with a repayment on demand clause amounted to HK$30,000,000 (2021: HK$20,000,000). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

36. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL RISK MANAGEMENT OBJECTIVES (CONTINUED)

Liquidity Risk (Continued)

	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 2022	**7.55**	**30,137**	**–**	**–**	**30,137**	**30,000**
At 31 December 2021	3.46	20,023	–	–	20,023	20,000

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	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2021				
Financial assets at FVTPL				
— Unlisted fund investments	–	30,300	–	30,300

The unlisted fund investments were 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.

The investments have been fully redeemed and no transfer between level 1 and level 2 during the year ended 31 December 2022.

37. 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 years ended 31 December 2022 and 2021, the Group did not recognise any expense in relation to the Incentive Bonus granted under the Loyalty Incentive Scheme.

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 38.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

38. SHARE-BASED PAYMENT TRANSACTIONS

EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY

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

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

At 31 December 2022, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 28,694,400 (2021: 28,815,600), representing 2.51% (2021: 2.52%) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

38. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY (CONTINUED)

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 2021	Exercised during the year	Forfeited during the year (Note)	Outstanding at 31 December 2021	Exercised during the year	Forfeited during the year (Note)	Outstanding at 31 December 2022
5 July 2018	0.44	05/07/2018– 30/06/2024	5,713,680	(120,840)	–	5,592,840	–	–	5,592,840
		05/07/2019– 30/06/2024	5,713,680	(120,840)	–	5,592,840	–	–	5,592,840
		05/07/2020– 30/06/2024	5,860,680	(120,840)	(480)	5,739,360	–	–	5,739,360
		05/07/2021– 30/06/2024	6,055,680	(120,480)	(50,160)	5,885,040	–	(360)	5,884,680
		05/07/2022– 30/06/2024	6,055,680	–	(50,160)	6,005,520	–	(120,840)	5,884,680
			29,399,400	(483,000)	(100,800)	28,815,600	–	(121,200)	28,694,400
Exercisable at the end of the year						22,810,080			28,694,400
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 contract who has subsequently resigned. Such options have forfeited during the year.

During the year ended 31 December 2021, 483,000 share options were exercised and 483,000 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 (2021: HK$1,572,000) for the year ended 31 December 2022 in relation to share options granted by the Company and shares awarded under the Conversion Scheme.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

39. 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. 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 2022, 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 2022 of HK$24,252,000 (2021: HK$24,250,000) represents contributions paid or payable to the above schemes by the Group.

40. PARTICULARS OF THE SUBSIDIARIES

Particulars of the Company's subsidiaries at 31 December 2022 and 2021 are as follows:

Name of subsidiaries	Place of incorporation or establishment/ operations	Issued and fully paid capital/ registered capital	2022	2021	Principal activities
Direct subsidiary:					
SLD Group Holdings Limited	BVI	US$1	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

40. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation or establishment/ operations	Issued and fully paid capital/ registered capital	2022	2021	Principal activities
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
北京江河創建建築裝飾設計研究院有限公司 (前稱：北京港源建築裝飾設計研究院有限公司) Beijing Jangho Institute of Architectural Decoration Design and Research Co., Ltd. (formerly known as 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, interior decorating and furnishing services and product design 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 product
Steve Leung & Yoo Limited	Hong Kong	HK$1	100%	100%	Inactive
Steve Leung Architects Limited	Hong Kong	HK$100	100%	100%	Inactive
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

40. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation or establishment/ operations	Issued and fully paid capital/ registered capital	2022	2021	Principal activities
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 Guangyuan Designers (Tianjin) Limited (Notes (i) & (iii))	PRC	RMB700,000	80%	80%	Provision of interior design services and interior decorating and furnishing services and trading of interior decorative 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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

40. PARTICULARS OF THE SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Place of incorporation or establishment/ operations	Issued and fully paid capital/ registered capital	2022	2021	Principal activities
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
梁志天室內設計(廣州)有限公司 Steve Leung Designers (Guangzhou) Co., Ltd. (Notes (i) & (ii))	PRC	RMB31,764,000	100%	–	Inactive

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 2022

41. 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 2021	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 realignments	845	960	–	–	1,805
At 31 December 2021	**20,000**	**46,203**	**–**	**–**	**66,203**
Finance costs (note 9)	**–**	**1,862**	**–**	**1,821**	**3,683**
Financing cash flows	**10,000**	**(26,924)**	**(57,070)**	**(1,821)**	**(75,815)**
Non-cash changes					
New leases entered	**–**	**22,864**	**–**	**–**	**22,864**
Dividend recognised as distribution	**–**	**–**	**57,070**	**–**	**57,070**
Exchange realignments	**–**	**(2,842)**	**–**	**–**	**(2,842)**
At 31 December 2022	**30,000**	**41,163**	**–**	**–**	**71,163**

FINANCIAL SUMMARY

Results	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Revenue	503,890	504,686	432,974	455,035	**381,002**
Profit (loss) before taxation	88,221	61,135	57,686	5,541	**(59,726)**
Income tax expense	(30,208)	(21,009)	(23,052)	(3,893)	**(162)**
Profit (loss) for the year	58,013	40,126	34,634	1,648	**(59,888)**
Profit (loss) for the year attributable to:					
— Owners of the Company	56,727	38,648	33,531	2,940	**(62,441)**
— Non-controlling interests	1,286	1,478	1,103	(1,292)	**2,553**
	58,013	40,126	34,634	1,648	**(59,888)**

	2018	2019	2020	2021	**2022**
Earnings (loss) per share — basic (expressed in Hong Kong cents)	5.70	3.39	2.94	0.26	**(5.47)**

Assets and liabilities	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022** **HK$'000**
Total assets	622,197	677,791	710,047	649,842	**523,083**
Total liabilities	(136,307)	(214,241)	(210,186)	(171,958)	**(183,878)**
Net assets	485,890	463,550	499,861	477,884	**339,205**
Equity attributable to:					
— Owners of the Company	476,411	452,764	487,801	466,916	**326,421**
— Non-controlling interests	9,479	10,786	12,060	10,968	**12,784**
Total equity	485,890	463,550	499,861	477,884	**339,205**

During the year ended 31 December 2019, the Group has applied HKFRS 16. Accordingly, certain comparative information for the year ended 31 December 2018 may not be comparable as such comparative information was prepared under HKAS 17.