

# DESIGN WITHOUT LIMITS

**STEVE LEUNG** DESIGN GROUP LIMITED

INTERIM REPORT 2023  
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)  
YIP Kwok Hung Kevin (Chief Financial Officer)  
TSANG Ho Ka Eugene  
SIU Man Hei (Chief Executive Officer)  
DING Jingyong

### COMPANY SECRETARIES

YIP Kwok Hung Kevin (Chief Financial Officer)  
KO Wan Ting (Resigned on 24 April 2023)

### 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

**PRINCIPAL BANKERS**

Hang Seng Bank Limited  
Dah Sing Bank

**STOCK CODE**

2262

**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

**COMPANY'S WEBSITE**

[www.sldgroup.com](http://www.sldgroup.com)

**INVESTOR RELATIONS CONTACT**

[ir@steveleung.com](mailto:ir@steveleung.com)

**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

**LEGAL ADVISOR**

Kenneth Chong Law Office

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET OVERVIEW

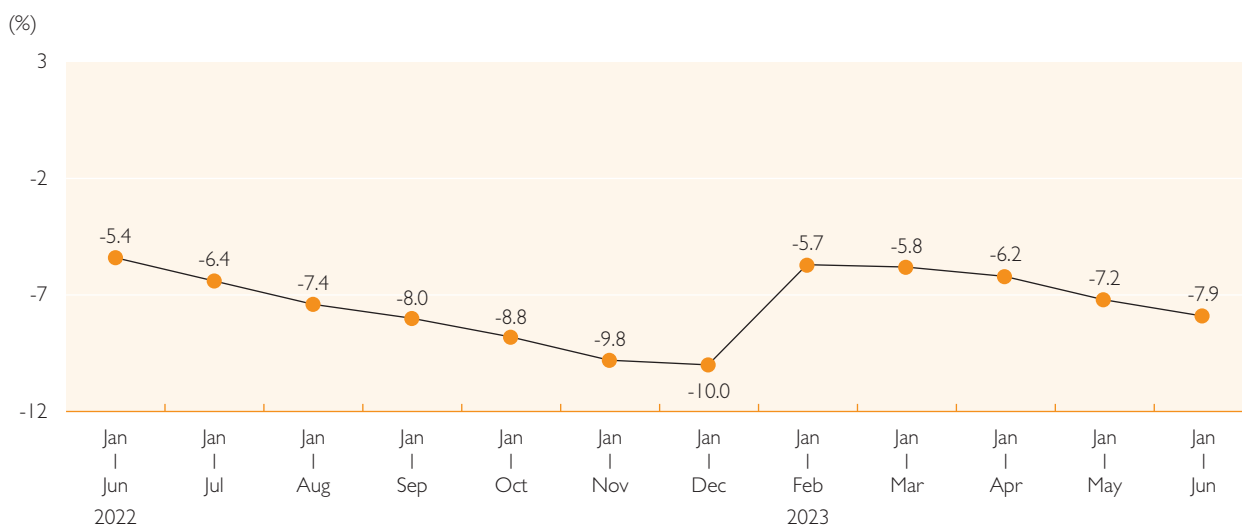
After the 3-year period shrouded by COVID-19, the world enters a new post-pandemic era in 2023. Despite some signs of improvement in recent economic growth, the global economy continued to struggle with the far-reaching effects of the pandemic as well as the persistent challenges posted by inflation and banking crisis in the first half of 2023. In China, the economy is gradually recovering but the situation varies by industries. In particular, the pace of recovery in the real estate market remained slow.

In response, the People's Republic of China (the "PRC") government introduced a range of measures to stabilise and stimulate the property market. According to data monitored by the China Index Academy (中指研究所), over 300 policies aimed at relaxing the real estate market have been introduced in more than 100 provinces and cities during the six months period ended 30 June 2023 (the "Period"). Among these policies, supporting the use of housing provident funds is a significant measure, while purchasing subsidies are also a primary means of implementing city-specific strategies. In some cities, efforts are being made to optimise purchase restriction policies, reduce down payment ratios and mortgage loan interest rates, and improve supervision of pre-sale funds.

Nevertheless, these efforts have not brought about the expected recovery momentum of the domestic real estate market. With the concentrated release of the backlog of demand, the property market experienced a brief surge in active transactions in the first quarter of 2023. However, this trend was not sustained, and the market cooled down significantly in the subsequent quarter. According to data released by the National Bureau of Statistics of China (the "NBSC"), the cumulative sales area of commercialised buildings during the Period was 595.15 million square metres, marking a 5.3% decline from the six months period ended 30 June 2022 (the "Previous Period"), of which the sales area of residential buildings decreased by 2.8%. The sales amount of commercialised buildings during the Period was RMB6,309.2 billion, showing only a 1.1% increase compared to the Previous Period.

The subdued consumer atmosphere in home buying has slowed down the development pace of real estate developers during the Period. The investment in real estate development was RMB5,855.0 billion, down 7.9% from the Previous Period. Meanwhile, the investment in residential buildings was RMB4,443.9 billion, marking a 7.3% decline. According to data from the NBSC, floor space of real estate newly started during the Period decreased significantly by 24.3% compared to the Previous Period. Specifically, the floor space of residential newly started during the Period was approximately 360 million square metres, representing a 24.9% decrease. The decline in the number of construction and development of new projects had a direct negative impact on our business.

**Growth Rate of Investment in Real Estate Development**

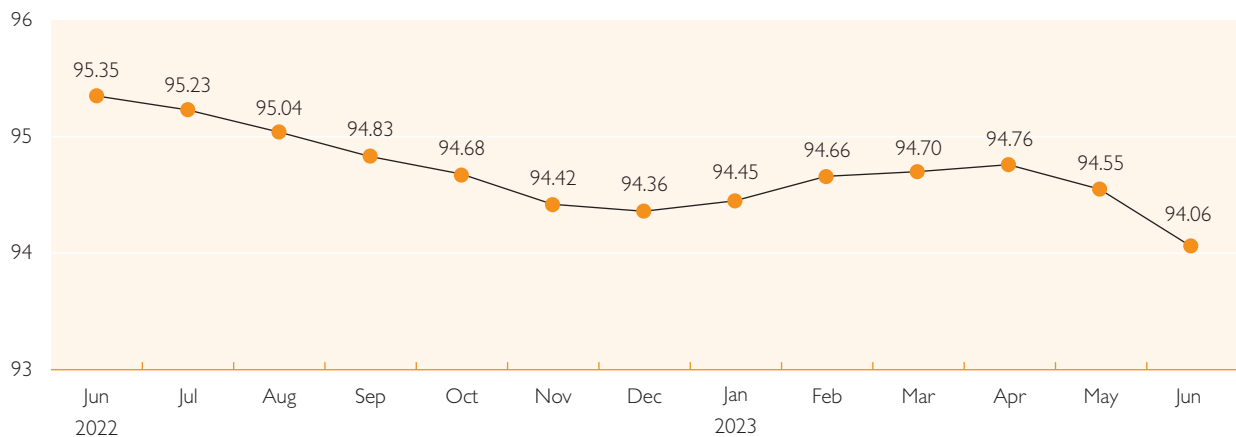


Source: the NBSC

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Statistics from the NBSC also showed that the national real estate climate index<sup>1</sup> in June 2023 was recorded at 94.06, which is even lower than the level during the pandemic in 2022. This implies that the real estate industry may face significant challenges and experience a prolonged period of sluggish growth. As current market conditions and consumer sentiment remain weak, the industry will probably continue to face headwinds in the near future.

**National Real Estate Climate Index**



Source: the NBSC

The challenge faced by real estate developers in raising funds remained severe, amidst incessant reports of defaults, liquidations, and debt restructuring among domestic real estate companies. According to data from the NBSC, the actual funds of real estate development enterprises during the Period has decreased by 9.8% compared to the Previous Period. The scale of domestic bonds and offshore USD bonds due in 2023 in the real estate industry are approximately RMB1.99 trillion and USD77 billion, represented an increase of 13.3% and 31.4% respectively compared with 2022, according to the report dated 28 May 2023 released by TF Securities (天風證券) research team. Further, according to data from "Wind", the number of bonds issued by real estate companies eventually defaulted amounted to 188, and the total balance of defaulted bonds was RMB212.38 billion as of 9 June 2023.

In addition, with cautious consumer sentiment in home buying, some potential clients have put their renovation or decoration plans on hold, which further hampered the revival of the interior design industry.

Not only the residential property market, but China's hotel industry is also undergoing a transformation. After a prolonged period of pandemic, numerous struggling hotel operators and real estate hotel developers have withdrawn from the market due to financial difficulties. This, in turn, has resulted in a more concentrated market, with hotel developers and operators focusing more on hotel quality rather than quantity. By these circumstances, the hotel-related interior design business is also being affected.

<sup>1</sup> The national real estate climate index takes investment in real estate development as the benchmark and takes related indicators such as real estate investment, capital, area, sales etc. into account. The most appropriate level of national real estate climate index is 100, the moderate level is between 95 and 105, the lower level is below 95, and the higher level is above 105.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### OVERALL PERFORMANCE AND BUSINESS REVIEW

In this challenging context, STEVE LEUNG DESIGN GROUP LIMITED 梁志天設計集團有限公司 (the “**Company**”), and its subsidiaries (together with the Company, collectively, the “**Group**”) continued to navigate the difficult business environment through prudent financial management and strategic decision-making.

More than half a year has passed since the pandemic-related restrictions were lifted, the inflection point of the PRC real estate market has not yet arrived. Insufficient consumer confidence, weak sales market and shortage of capital for developers have led them to adopt a conservative and wait-and-see attitude in advancing project progress and launching new properties on the market, which has had a direct impact on real estate-related industries such as interior design. While the Group's new contract sum awarded showed an upward trend, we are experiencing headwinds in the form of delayed project progress and slow payment schedules from real estate developers.

In view of this, the Group has taken decisive steps to mitigate risks and reinforce our financial position. We have maintained a prudent financial management strategy, which includes enhancing our cash flow management, optimising our cost structure and carefully managing our project risks. We have taken steps to diversify our revenue streams and expand into more projects outside of residences, such as prestige membership club, restaurant and overseas hotel design. We have also strengthened our talent development programmes, optimised our design capabilities and technology, and streamlined our design process to enhance our competitiveness and improve our operational efficiency.

Against the aforesaid backdrop, total revenue of the Group decreased by approximately 10.9% to approximately HK\$158.4 million during the Period (Previous Period: HK\$177.8 million). Nevertheless, gross profit of the Group increased by approximately 9.0% to approximately HK\$60.4 million during the Period (Previous Period: HK\$55.4 million). Gross profit margin therefore increased from approximately 31.2% for the Previous Period to approximately 38.1% for the Period, mainly attributable to the decrease in cost, resulting from the implementation of effective cost control measures. As a result of the substantial decrease in operating costs and expenses, the Group eventually narrowed its net loss to approximately HK\$17.8 million for the Period (Previous Period: net loss of HK\$36.1 million) despite a decline in the Group's turnover.

Notwithstanding the unsatisfactory performance of the Group for the Period, our pipeline was maintained. As at 30 June 2023, the aggregate remaining contract sum of the Group was approximately HK\$526.5 million (31 December 2022: HK\$429.5 million). The stable contract pipeline will provide a solid backing for the Group, supporting the Group to adapt to and overcome the difficulties in the market turmoil.

Despite the volatile external operating environment, the cash position and liquidity of the Group remains positive. As at 30 June 2023, the bank balances and cash of the Group were approximately HK\$111.4 million (31 December 2022: HK\$153.3 million) and the current ratio remained at approximately 2.7 (31 December 2022: 2.6). The reduction of bank balances and cash was mainly due to the decelerated operating cash inflow during the Period.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

	For the six months period ended 30 June 2023				For the six months period ended 30 June 2022			
	SLD HK\$ million	SLL HK\$ million	JHD HK\$ million	Total HK\$ million	SLD HK\$ million	SLL HK\$ million	JHD HK\$ million	Total HK\$ million
<b>Remaining contract sum at the beginning of the period</b>	<b>212.5</b>	<b>117.9</b>	<b>99.1</b>	<b>429.5</b>	206.3	127.6	88.3	422.2
Add: New contract sum awarded during the period	<b>194.0</b>	<b>100.5</b>	<b>46.2</b>	<b>340.7</b>	146.8	107.5	61.2	315.5
Less: VAT for newly awarded contracts	<b>(9.6)</b>	<b>(10.8)</b>	<b>(2.6)</b>	<b>(23.0)</b>	(7.2)	(11.7)	(3.5)	(22.4)
Less: Revenue recognised during the period	<b>(94.8)</b>	<b>(37.4)</b>	<b>(24.8)</b>	<b>(157.0)</b>	(102.6)	(35.5)	(38.5)	(176.6)
Less: Variation order	<b>(23.5)</b>	<b>(17.9)</b>	<b>(3.9)</b>	<b>(45.3)</b>	(29.4)	(37.4)	(0.4)	(67.2)
Less: Exchange realignments	<b>(10.2)</b>	<b>(5.0)</b>	<b>(3.2)</b>	<b>(18.4)</b>	(2.2)	(5.7)	(5.2)	(13.1)
<b>Remaining contract sum at the end of the period</b>	<b>268.4</b>	<b>147.3</b>	<b>110.8</b>	<b>526.5</b>	211.7	144.8	101.9	458.4

Compared with the Previous Period, new contract sum awarded for the Period slightly increased from the award of certain gifted hospitality projects by the Group. However, due to the overall slow project progress during the Period, revenue recognition has not caught up with the amount of new contract sum awarded, which resulted in the total remaining contract sum increased from approximately HK\$429.5 million as at 31 December 2022 to approximately HK\$526.5 million as at 30 June 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table sets forth the breakdown of remaining contract sum by brand and types of projects:

	As at 30 June 2023					As at 31 December 2022				
	SLD	SLL	JHD	Total	% of total remaining contract sum	SLD	SLL	JHD	Total	% of total remaining contract sum
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	HK\$ million	%
<b>Remaining contract sum</b>										
Residential project	168.8	142.0	19.3	330.1	62.7	151.1	114.3	20.2	285.6	66.5
Private residence project	34.2	1.6	1.5	37.3	7.1	34.6	1.8	1.6	38.0	8.8
Hospitality project	42.7	1.8	35.9	80.4	15.3	13.1	0.5	34.8	48.4	11.3
Commercial project	12.2	0.3	35.6	48.1	9.1	13.0	0.3	24.3	37.6	8.8
Others	10.5	1.6	18.5	30.6	5.8	0.7	1.0	18.2	19.9	4.6
<b>Total</b>	<b>268.4</b>	<b>147.3</b>	<b>110.8</b>	<b>526.5</b>	<b>100.0</b>	<b>212.5</b>	<b>117.9</b>	<b>99.1</b>	<b>429.5</b>	<b>100.0</b>

The following table sets forth the breakdown of revenue by brand and types of projects:

	For the six months period ended 30 June 2023					For the six months period ended 30 June 2022				
	SLD	SLL	JHD	Total	% of total revenue	SLD	SLL	JHD	Total	% of total revenue
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	%	HK\$ million	HK\$ million	HK\$ million	HK\$ million	%
<b>Revenue</b>										
Residential project	61.0	34.5	3.2	98.7	62.3	72.9	34.3	5.4	112.6	63.4
Private residence project	7.4	1.9	–	9.3	5.9	11.8	0.5	–	12.3	6.9
Hospitality project	22.1	1.0	8.8	31.9	20.1	9.3	0.2	17.9	27.4	15.4
Commercial project	2.5	–	10.8	13.3	8.4	7.4	0.5	9.6	17.5	9.8
Others	3.2	–	2.0	5.2	3.3	2.4	–	5.6	8.0	4.5
<b>Total</b>	<b>96.2</b>	<b>37.4</b>	<b>24.8</b>	<b>158.4</b>	<b>100.0</b>	<b>103.8</b>	<b>35.5</b>	<b>38.5</b>	<b>177.8</b>	<b>100.0</b>

As mentioned above, the Group's total revenue dropped by approximately 10.9% during the Period. The reduction was mainly resulted from the decline in revenue of our JHD brand by approximately 35.6% as compared with the Previous Period. Detailed performance of each segment was analysed as below.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### SL D

SLD (Steve Leung Design) segment includes the “Steve Leung” brand, such as SLD, SLC, SL2.0, SLH, SLA, SLW, etc. All these brands cover the provision of interior design and product design for different project types and natures. This segment is also the major business segment of the Group.

During the Period, this segment maintained its main focus on the residential project sector. The entire SLD brand contributed approximately 60.7% of the Group’s revenue (Previous Period: 58.4%). Segment revenue decreased from approximately HK\$103.8 million for the Previous Period to approximately HK\$96.2 million for the Period, representing a decrease of approximately 7.3%. The shrinkage of revenue was mainly arising from the interior design services of residential related sectors for slowdown in project progress as a consequence of the overall decreasing trend in investment and sales volume of the property market in the first half of 2023.

Another important component of this segment is the provision of and the licensing arrangement for product design services, which adds value to the overall interior design, decorating, and furnishing layout of projects, hence enhancing customer satisfaction. This is one of the Group’s important marketing and branding strategies. During the Period, our product design services continued to perform steadily, with revenue reaching approximately HK\$1.4 million (Previous Period: HK\$1.2 million).

As at 30 June 2023, this business segment has a remaining contract sum of approximately HK\$268.4 million (31 December 2022: HK\$212.5 million), which is expected to be realised based on the stages of completion and the general progress of projects in the second half of 2023 and 2024.

### SL L

SLL (Steve Leung Lifestyle) segment represents another “Steve Leung” brand that focuses on the provision of interior decorating and furnishing design services and trading of interior decorative products. This segment complements with the interior design services provided by the Group under SLD brand to further perfect our projects. Revenue for this segment was largely contributed by the trading of interior decorative products, which would be recognised upon delivery of interior decorative products to the physical sites.

This segment contributed around 23.6% of the Group’s total revenue for the Period (Previous Period: 20.0%). SLL performed relatively stable during the Period and remained focused on the residential project sector. Revenue for SLL recorded a slight increase of approximately 5.4% to approximately HK\$37.4 million (Previous Period: HK\$35.5 million).

As at 30 June 2023, this business segment had a remaining contract sum of approximately HK\$147.3 million (31 December 2022: HK\$117.9 million), which is expected to be realised based on the stages of completion of projects and the delivery of interior decorative products.

Riding on the Group’s extensive experience and expertise in interior design, along with a stable pipeline, it is expected that SLL will remain strong and stable during this sluggish period.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### JH D

JHD (Jangho Design) segment refers to the provision of interior design and interior decorating and furnishing design services under the “Jangho” brand which mainly focuses on hospitality and commercial project sectors in the PRC.

JHD contributed approximately 15.7% of the Group’s total revenue for the Period (Previous Period: 21.7%). Segment revenue substantially dropped by approximately 35.6%, from approximately HK\$38.5 million for the Previous Period to approximately HK\$24.8 million for the Period. The major reduction in revenue is arising from the hospitality sector, which dropped from approximately HK\$17.9 million for the Previous Period to approximately HK\$8.8 million for the Period. The decrease is mainly due to slowdown in project progress and the decrease in hotel projects awarded to JHD as a result of financial hardship for the real estate hotel developers.

As at 30 June 2023, this business segment had a remaining contract sum of approximately HK\$110.8 million (31 December 2022: HK\$99.1 million), which is expected to be realised based on the stages of completion, the general progress of projects, and the delivery of interior decorative products in the second half of 2023 and 2024.

## FINANCIAL REVIEW

### REVENUE AND GROSS PROFIT

During the Period, the Group’s revenue decreased by approximately HK\$19.4 million or 10.9%, from approximately HK\$177.8 million for the Previous Period to approximately HK\$158.4 million for the Period. The decrease in total revenue was mainly contributed by the slowdown in the progress of projects during the Period, as explained in the section headed “Overall Performance and Business Review” of this report.

The Group’s revenue can be segregated into three major natures, which consists of (i) service revenue from provision of interior design and interior decorating and furnishing design service, (ii) trading income from trading of interior decorating products and (iii) license fee revenue from product design service.

**MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)**

The following states the Group's breakdown of revenue and gross profit by brand during the Period:

**REVENUE AND GROSS PROFIT BY SEGMENT**

	For the six months period ended 30 June 2023				For the six months period ended 30 June 2022			
	SLD HK\$ million	SLL HK\$ million	JHD HK\$ million	Total HK\$ million	SLD HK\$ million	SLL HK\$ million	JHD HK\$ million	Total HK\$ million
Service revenue	94.8	3.6	24.8	123.2	102.6	6.8	38.5	147.9
License fee revenue	1.4	-	-	1.4	1.2	-	-	1.2
Trading income	-	33.8	-	33.8	-	28.7	-	28.7
<b>Total Revenue</b>	<b>96.2</b>	<b>37.4</b>	<b>24.8</b>	<b>158.4</b>	103.8	35.5	38.5	177.8
<b>Gross Profit</b>	<b>42.9</b>	<b>10.1</b>	<b>7.4</b>	<b>60.4</b>	29.8	9.5	16.1	55.4
Gross Profit Margin	44.6%	27.0%	29.8%	38.1%	28.7%	26.8%	41.8%	31.2%

Service revenue decreased from approximately HK\$147.9 million for the Previous Period to approximately HK\$123.2 million for the Period. The decrease in service revenue is mainly attributable to the drop in revenue from the JHD segment in hospitality sector, in particular, the PRC hotel projects, and the SLD segment in residential related sectors as a result of the slowdown in overall project progress. While the trading revenue increased from approximately HK\$28.7 million for the Previous Period to approximately HK\$33.8 million for the Period.

The Group's gross profit increased by approximately HK\$5.0 million or 9.0%, from approximately HK\$55.4 million for the Previous Period to approximately HK\$60.4 million for the Period, while gross profit margin increased to approximately 38.1% (Previous Period: 31.2%). The increase was primarily due to the optimisation of overall cost and headcount during the Period.

**OTHER GAINS AND LOSSES**

The Group recorded other losses of approximately HK\$1.2 million for the Period as compared with the other losses of approximately HK\$1.9 million for the Previous Period, which were primarily due to the decrease in net exchange loss in the Period.

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

Impairment losses on trade receivables and contract assets for the Period was approximately HK\$9.8 million (Previous Period: HK\$9.0 million), the increase is mainly due to the increase in the overall uncertainty of client settlement. For details, please refer to the section headed "Credit Risk Exposure" of this report.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### OTHER INCOME

Other income of the Group mainly includes government grants, interest income from bank deposits and PRC incentive rebates. Other income maintained at approximately HK\$0.9 million during the Period (Previous Period: HK\$0.9 million).

### SELLING EXPENSES

Selling expenses of the Group decreased from approximately HK\$12.6 million to approximately HK\$8.8 million, representing a decrease of approximately 30.2% during the Period. The decrease was mainly due to the decrease in staff cost from the re-allocation of staff resources and manpower streamlining measures implemented during the Period.

### ADMINISTRATIVE EXPENSES

Administrative expenses of the Group decreased from approximately HK\$65.9 million to approximately HK\$56.5 million, representing a decrease of approximately 14.3% during the Period. The decrease was mainly attributable to the continued cost control and manpower streamlining measures implemented during the Period.

### FINANCE COSTS

Finance costs of the Group comprised interest on lease liabilities and the bank borrowings for financing the Group's operations. Finance costs increased from approximately HK\$1.7 million for the Previous Period to approximately HK\$2.1 million for the Period, representing an increase of approximately 23.5%. The increase was mainly attributable to the increase in interest rate of the bank borrowings.

### LOSS FOR THE PERIOD

As the cost and expenses saved by the Group during the Period outweighed the decline in revenue, the Group's loss for the period decreased from approximately HK\$36.1 million for the Previous Period to approximately HK\$17.8 million for the Period.

### BASIC LOSS PER SHARE

The Company's basic loss per share for the Period was approximately HK1.52 cents (Previous Period: HK3.24 cents per share), the decrease was in line with the reduction of loss for the Period.

## OUTLOOK AND PROSPECTS

Looking forward, the confidence and investment levels of consumers and private enterprises still need to be improved. Data released by the People's Bank of China revealed that the increment in newly-granted loans and social financing in July 2023 both hit a 5-year low, which implies a poor consumption and investment sentiment and the weak expectations of enterprises on the prospects for future economic development. The slowing global economy could also limit China's export growth. On the other hand, the PRC real estate industry is undergoing deep adjustments. In July 2023, real estate sales continued its downward trend. Pressure on developers to raise capital and destock is likely to keep real estate investment low for a period of time.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Despite all these challenges, the Group remains cautiously optimistic about the economic recovery and the outlook for the real estate industry. The Political Bureau of the Communist Party of China (CPC) Central Committee (中共中央政治局) held a meeting in late July 2023, emphasising the need to actively expand domestic demand in driving economic growth. In particular, the meeting pointed out that real estate policies would be utilised and optimised in a timely and effective manner to meet the needs of residents for improved housing quality and to adapt to significant changes in the supply and demand relationship in the domestic real estate market. With this clear stance, the Group believes that favourable real estate market policies will continue to be implemented to restore the market confidence, and the focus of future policies will shift from quantity to quality.

The Group closely monitors the market conditions and adapting our strategies to the latest developments. We identified the changing needs and preferences of Chinese consumers, who are increasingly looking for interior design solutions that not only look good but also enhance their quality of life. Survey released by the China Index Academy in July 2023 indicates that the satisfaction of Chinese residents with their living conditions continues to decline, with an overall satisfaction score of 72.3 out of 100 in 2023, a decrease of 2.7 points from 2022, while the satisfaction with "home design" fell by 1.8 points to 71.6 compared to 2022, conclusion of which confirms people's pursuit of improving their quality of life. We believe that the future development of China's interior design and furnishing industries will present three major trends: personalisation, smart homes, and green design. By staying at the forefront of these trends, we can continue to meet the evolving needs of our clients and maintain our competitive edge in the industry.

We recognise that the challenges facing the interior design industry are significant, but we are confident that our commitment to delivering high-quality services and innovative design solutions will enable us to overcome these challenges. Meanwhile, the Group is actively seeking opportunities to achieve a more diversified client base and expand into more diversified businesses from different perspectives, with the aim of providing our clients with more comprehensive one-stop services and maximising our sources of revenue. By staying true to our mission, we will emerge from this challenging period stronger and better positioned for long-term success.

Looking ahead, we remain committed to pursuing growth opportunities and expanding our market share in the interior design and furnishing industries in the PRC. We will continue to invest in our people, processes, and technology to ensure that we can deliver the best possible outcomes for our clients. We are excited about the future of our industry and look forward to continuing to create beautiful and functional interior spaces that enhance the lives of our clients.

## CORPORATE FINANCE AND RISK MANAGEMENT

### LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The management and control of the Group's financial, capital management and external financing functions are centralised at the headquarters in Hong Kong. The Group has been adhering to the principle of prudent financial management in order to minimise financial and operational risks. The Group mainly relies on internally generated funds and bank borrowings to finance its operations and expansion.

As at 30 June 2023, the Group's total debt (representing total interest-bearing borrowings excluding lease liabilities arising from the adoption of Hong Kong Financial Reporting Standards ("HKFRSs") 16) to total asset ratio was approximately 6.1% (as at 31 December 2022: 5.7%). The gearing ratio (net debt excluding lease liabilities arising from the adoption of HKFRS 16 to equity attributable to owners of the Company) was approximately 9.9% (as at 31 December 2022: 9.2%). The Group has net cash (bank balances and cash (including pledged bank deposits) less total debt) of approximately HK\$81.6 million as at 30 June 2023 (as at 31 December 2022: HK\$123.3 million). The reduction in net cash was mainly contributed by the slowdown of our overall project progress and collections from our clients.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The bank borrowings of approximately HK\$30.0 million as at 30 June 2023 (31 December 2022: HK\$30.0 million) were unsecured and guaranteed by the Company. No bank borrowings were secured by pledged bank deposits. Details are disclosed in note 14 to the condensed consolidated financial statements of this report. Further costs for operations and expansion will be partially financed by unutilised bank facilities. As at 30 June 2023 and up to this report date, the bank borrowings are mainly for financing the Group's daily operation.

The liquidity of the Group maintained stable as the current ratio (current assets/current liabilities) of the Group as at 30 June 2023 was approximately 2.7 (as at 31 December 2022: 2.6). The Group also has sufficient committed and unutilised loan and working capital facility and guarantee facilities to meet the needs of the Group's business development. The Group will cautiously seek development opportunities with a view to balancing the risk and opportunity in maximising shareholders' value.

As at 30 June 2023, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.4 million (as at 31 December 2022: HK\$11.4 million) and approximately HK\$303.5 million (as at 31 December 2022: HK\$326.4 million), respectively.

### PLEDGE OF ASSETS

As at 30 June 2023, a bank deposits of approximately HK\$0.2 million (31 December 2022: nil) was pledged to a bank to secure a performance bond. For details, please refer to note 16 to the condensed consolidated financial statements of this report.

### CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group did not have any significant contingent liabilities and capital commitments as at 30 June 2023 and 31 December 2022.

### EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND INTEREST RATES AND CORRESPONDING HEDGING ARRANGEMENTS

The Group's bank borrowings as at 30 June 2023 were in Hong Kong dollars and have been made at floating rates. The Group operates in various regions under different foreign currencies, including Renminbi and United States Dollar. The exchange rate of the United States Dollar was relatively stable while that of Renminbi was more volatile during the Period. The Group currently has no hedging arrangements for foreign currencies or interest rates. The Group reviews the currency exchange risks regularly and closely monitors the fluctuation of foreign currencies. The Group will make proper adjustments and consider hedging arrangements if necessary.

### CREDIT RISK EXPOSURE

The Group's credit risk is primarily attributable to its trade receivables and contract assets. Although the Group's major clients are institutional organisations and reputable property developers, due to forward-looking uncertainties arising from the external market and financing environment, the credit risk continued to maintain at high level. According to statistics released by CRIC (克而瑞), contract sales of 100 typical real estate enterprises in July 2023 fell by more than 30%, whether compared with the previous month or same period last year, and about 70–80% of the enterprises experienced a decline. In terms of cumulative performance from January to July 2023, contract sales of the 100 typical real estate enterprises also fell by 4.7%. The poor sales performance will further aggravate the financial position of the developers and credit risk exposure of the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group has adopted prudent credit policies to deal with credit risk exposure. The Group performs continuous credit evaluations of the financial conditions of our clients and other monitoring procedures to ensure that appropriate follow-up actions have been 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 project progress, and takes debts recovery actions for long aged debts or slow-moving projects unless the Group has reasonable and supportable information justifying not to do so. The Group will also actively seek collaterals for trade receivables from client group with significantly increased credit risk or credit-impaired.

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

As at 30 June 2023, trade receivables (in gross amount) was approximately HK\$252.1 million (31 December 2022: HK\$263.9 million), while contract assets (in gross amount) was approximately HK\$97.7 million (31 December 2022: HK\$83.5 million). The total trade receivables and contract assets (in gross amount) remained stable of approximately HK\$349.8 million (31 December 2022: HK\$347.4 million). The increase in contract assets relative to the decrease in trade receivables was mainly due to the i) instability of the real estate sales market, which made our clients more cautious about the approval process of design drawings; and ii) Group's debt collection strategy by withholding certain design drawings until the outstanding balance of previous stage was settled.

As at 30 June 2023, the accumulated allowance for credit losses was approximately HK\$113.0 million (31 December 2022: HK\$106.1 million), among which the accumulated allowance for credit losses for trade receivables and contracts assets were approximately HK\$95.2 million (31 December 2022: HK\$89.4 million) and HK\$17.8 million (31 December 2022: HK\$16.7 million) respectively. The average loss rate was approximately 32.3% (31 December 2022: 30.5%), among which the average loss rate for trade receivables and contract assets were approximately 37.8% (31 December 2022: 33.9%) and 18.2% (31 December 2022: 20.0%) respectively. The increase in the overall accumulated allowance and average loss rate is mainly due to the increase in the overall uncertainty of client settlement. As of the date of this report, HK\$45.1 million of the trade receivables as at 30 June 2023 have subsequently been 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 of the Company (the "**Directors**") believe that the impairment loss assessment on the trade receivables and contract assets as at 30 June 2023 has been performed appropriately and sufficient impairment losses has been made.

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

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### RISK MANAGEMENT

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

### EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2023 which may materially affect the Group's operating and financial performance up to the date of this report.

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had approximately 409 (as at 30 June 2022: 550) full-time employees. The total remuneration of the employees (including the Directors' remuneration) were approximately HK\$87.8 million for the Period (Previous Period: HK\$122.1 million). The decrease in total remuneration of the employees was mainly due to the decrease in the number of employees and average salaries of employees during the Period as a result of re-allocation of staff resources and optimisation of cost. To retain our competitiveness, the Group offers attractive remuneration policy, discretionary bonus and share options may also be granted to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides external training programmes which are complementary to certain job functions.

### SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITION AND DISPOSALS

The Group did not hold any significant investments as at 30 June 2023 and 31 December 2022.

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

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any solid plans for material investments and capital assets as at 30 June 2023.

### APPRECIATION

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### INTERIM DIVIDEND

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

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 deemed or taken 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange are set out as follows:

Name of Directors and chief executives	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 <sup>(Note)</sup>	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 30 June 2023, 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The interests and/or short positions of substantial shareholders in the shares and the underlying shares of the Company as at 30 June 2023, as recorded in the register required to be kept under Section 336 of Part XV of the SFO, are set out as follows:

Name	Long/ Short position	Capacity/Nature of interest	Number of shares	Approximate percentage of the issued share capital of the Company (Note 1)
Eagle Vision Development Limited	Long	Beneficial owner	598,500,000	52.44%
Peacemark Enterprises Limited <sup>(Note 2)</sup>	Long	Interest in controlled corporation	598,500,000	52.44%
Jangho Hong Kong Holdings Limited <sup>(Note 3)</sup>	Long	Interest in controlled corporation	598,500,000	52.44%
Jangho Group Co., Ltd <sup>(Note 4)</sup>	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.) <sup>(Note 5) (Note 6)</sup>	Long	Interest in controlled corporation	598,500,000	52.44%
Mr. Liu Zaiwang <sup>(Note 6)</sup>	Long	Interest in controlled corporation	598,500,000	52.44%
Ms. Fu Haixia <sup>(Note 7)</sup>	Long	Interest of spouse	598,500,000	52.44%
Sino Panda Group Limited	Long	Beneficial owner	256,500,000	22.47%
Ms. Chan Siu Wan <sup>(Note 8)</sup>	Long	Interest of spouse	256,500,000	22.47%

Notes:

- On the basis of 1,141,401,000 shares in issue as at 30 June 2023.
- Eagle Vision Development Limited ("**Eagle Vision**") is beneficially owned as to approximately 42.86% by Peacemark Enterprises Limited ("**Peacemark Enterprises**") and therefore Peacemark Enterprise is deemed to be interested in the shares held by Eagle Vision under the SFO.
- 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.
- Jangho HK is wholly and beneficially owned by Jangho Group Co., Ltd. ("**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.
- 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 held by Jangho Co. through Jangho HK, Peacemark Enterprises and Eagle Vision under the SFO.
- 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.
- 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.
- 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### ANY OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO.

### 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 share under the Pre-IPO Share Option Scheme shall be an amount equal to 50% discount to the mid-point of the price of the IPO, 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 Pre-IPO Share Options at the end of each vesting period may be rolled over to the next vesting period and exercisable during the option period.

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

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

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

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

Category of grantees	Date of grant	Number of options			As at 30 June 2023
		As at 1 January 2023	Exercised during the Period	Forfeited during the Period	
Executive Director — Mr. Siu Man Hei	15/06/2018	10,032,000	—	—	10,032,000
Senior management and other employees	15/06/2018	18,662,400	—	—	18,662,400
Total		28,694,400	—	—	28,694,400

Except as set out above, no other options have been granted or agreed to be granted by the Company under the Pre-IPO Share Option Scheme during the Period. For further details, please refer to note 19 to the condensed consolidated financial statements of this report.

## SHARE OPTION SCHEME

On 11 June 2018, the Company adopted a share option scheme ("**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 ("**Options**") to subscribe for such number of 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Persons satisfying any of the following ("**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 ("**Executives**");
- (b) any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group;
- (c) a director or proposed director (including an independent non-executive director) of any member of the Group;
- (d) a direct or indirect shareholder of any member of the Group;
- (e) a supplier of goods or services to any member of the Group;
- (f) a client, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;
- (g) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and
- (h) an associate (as defined in the Listing Rules) of any of the persons referred to in paragraphs (a) to (g) above.

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 from time to time. Any further grant of Options in excess of this limit is subject to shareholders' approval in a general meeting.

Any grant of Options to any Director, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of the Company, or any of their respective associates under the Share Option Scheme is subject to the prior approval of the independent non-executive Directors (excluding independent non-executive Directors who or whose associates is the grantee of an Option). Where any grant of Options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares at the date of grant, in excess of HK\$5.0 million, such for the 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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

An offer for the grant of Option must be accepted within 28 days from the offer date. 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 Options are deemed to be granted and accepted but subject to the provisions for early termination thereof contained in the Share Option Scheme.

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

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

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

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

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

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

## 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 Period and up to the date of this report as required under the Listing Rules.



## CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

### CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. It also recognises that sound and effective corporate governance practices are fundamental to the smooth, effective and transparent operation of the Group and its ability to attract investment, protect the rights of shareholders and stakeholders, and create values for shareholders. The Group's corporate governance policy is designed to achieve these objectives and is maintained through a framework of processes, policies and guidelines.

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

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

### DIRECTORS' SECURITIES TRANSACTIONS

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

### EXTERNAL AUDITOR AND AUDIT COMMITTEE REVIEWS

The unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the Group's external auditor, BDO Limited, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants, whose unmodified review report for the Period is included in this report.

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

On behalf of the Board

**XU Xingli**

*Chairman*

28 August 2023

## REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS



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### TO THE BOARD OF DIRECTORS OF STEVE LEUNG DESIGN GROUP LIMITED

*(incorporated in the Cayman Islands with limited liability)*

#### Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 26 to 52 which comprise the condensed consolidated statement of financial position of Steve Leung Design Group Limited and its subsidiaries (collectively referred to as the “**Group**”) as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

#### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS (CONTINUED)

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### **BDO Limited**

*Certified Public Accountants*

Lau Kin Tat, Terry

Practising Certificate no. P07676

Hong Kong, 28 August 2023

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

For the six months period ended 30 June 2023

	NOTES	Six months period ended 30 June	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue	3	158,444	177,833
Cost of sales		(98,024)	(122,437)
Gross profit		60,420	55,396
Other gains and losses		(1,228)	(1,867)
Impairment losses on trade receivables and contract assets under expected credit loss model	4	(9,758)	(9,017)
Other income		926	858
Selling expenses		(8,781)	(12,632)
Administrative expenses		(56,512)	(65,866)
Finance costs		(2,137)	(1,719)
Loss before taxation		(17,070)	(34,847)
Income tax expense	5	(705)	(1,262)
Loss for the period	6	(17,775)	(36,109)
<i>Other comprehensive expense that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(5,788)	(11,189)
Total comprehensive expense for the period		(23,563)	(47,298)
Loss for the period attributable to:			
— Owners of the Company		(17,331)	(36,931)
— Non-controlling interests		(444)	822
		(17,775)	(36,109)
Total comprehensive expense for the period attributable to:			
— Owners of the Company		(22,890)	(47,787)
— Non-controlling interests		(673)	489
		(23,563)	(47,298)
		HK cents	HK cents
Loss per share	8		
Basic		(1.52)	(3.24)
Diluted		(1.52)	(3.24)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 30 June 2023

	NOTES	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment	9	12,795	13,872
Right-of-use assets	9	51,420	39,499
Intangible assets		1,834	2,028
Goodwill		1,172	1,205
Deposits paid for acquisition of property, plant and equipment	11	3,228	4,503
Rental deposits	11	4,331	6,327
Deferred tax assets		53,886	44,280
		<b>128,666</b>	111,714
<b>Current Assets</b>			
Inventories		49	42
Trade receivables	10	156,836	174,515
Other receivables, deposits and prepayments	11	11,446	16,430
Contract assets	12	79,945	66,781
Tax recoverable		365	263
Pledged bank deposits	16	208	–
Bank balances and cash		111,429	153,338
		<b>360,278</b>	411,369
<b>Current Liabilities</b>			
Trade payables	13	27,892	40,737
Other payables and accrued charges	13	15,317	24,336
Bank borrowings	14	30,000	30,000
Lease liabilities		19,372	16,490
Contract liabilities	12	17,474	24,044
Tax liabilities		22,080	22,263
		<b>132,135</b>	157,870
<b>Net Current Assets</b>		<b>228,143</b>	253,499
<b>Total Assets less Current Liabilities</b>		<b>356,809</b>	365,213

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

At 30 June 2023

	NOTES	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
<b>Capital and Reserves</b>			
Share capital	15	<b>11,414</b>	11,414
Reserves		<b>292,117</b>	315,007
Equity attributable to owners of the Company		<b>303,531</b>	326,421
Non-controlling interests		<b>12,111</b>	12,784
<b>Total Equity</b>		<b>315,642</b>	339,205
<b>Non-current Liabilities</b>			
Deferred tax liabilities		<b>6,833</b>	1,335
Lease liabilities		<b>34,334</b>	24,673
		<b>41,167</b>	26,008
		<b>356,809</b>	365,213

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months period ended 30 June 2023

	Attributable to owners of the Company										
	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange reserve	Long-term employee	Shareholder's contribution	Retained profits	Total	Non-controlling interests	Total
						benefit reserve					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Note (a))	(Note (b))	(Note (c))			(Note (d))	(Note (e))				
At 1 January 2022 (audited)	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 period	-	-	-	-	-	-	-	(36,931)	(36,931)	822	(36,109)
Exchange difference arising on translation of foreign operations	-	-	-	-	(10,856)	-	-	-	(10,856)	(333)	(11,189)
Total comprehensive (expense) income for the period	-	-	-	-	(10,856)	-	-	(36,931)	(47,787)	489	(47,298)
Dividend recognised as distribution (note 7)	-	-	-	-	-	-	-	(57,070)	(57,070)	-	(57,070)
Recognition of equity settled long-term employee benefits	-	-	-	-	-	786	-	-	786	-	786
At 30 June 2022 (unaudited)	11,414	258,224	(112,360)	7,171	(5,135)	12,192	43,119	148,220	362,845	11,457	374,302
At 1 January 2023 (audited)	<b>11,414</b>	<b>258,224</b>	<b>(112,360)</b>	<b>7,171</b>	<b>(16,835)</b>	<b>12,964</b>	<b>43,119</b>	<b>122,724</b>	<b>326,421</b>	<b>12,784</b>	<b>339,205</b>
Loss for the period	-	-	-	-	-	-	-	(17,331)	(17,331)	(444)	(17,775)
Exchange difference arising on translation of foreign operations	-	-	-	-	(5,559)	-	-	-	(5,559)	(229)	(5,788)
Total comprehensive expense for the period	-	-	-	-	(5,559)	-	-	(17,331)	(22,890)	(673)	(23,563)
Transfer of reserves	-	-	-	253	-	-	-	(253)	-	-	-
At 30 June 2023 (unaudited)	<b>11,414</b>	<b>258,224</b>	<b>(112,360)</b>	<b>7,424</b>	<b>(22,394)</b>	<b>12,964</b>	<b>43,119</b>	<b>105,140</b>	<b>303,531</b>	<b>12,111</b>	<b>315,642</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

For the six months period ended 30 June 2023

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 ("**SLDL**") 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 Share Options Scheme is set out in note 19.

(e) The amount represents the contribution from a shareholder pursuant to the sale and purchase agreement of SLDL Acquisition as defined in the section headed "History, Development and Reorganisation" in the Prospectus. The seller (who is also the non-controlling shareholder of SLDL) had guaranteed a certain level of profit of SLDL 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 SLDL with the guarantee profit as contribution. An approximate amount of HK\$43,119,000 was confirmed by shareholders of SLDL and the amount was received and recognised by the Group as a shareholder's contribution on 24 November 2017.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

For the six months period ended 30 June 2023

	<b>Six months period ended 30 June</b>	
	<b>2023 (Unaudited) HK\$'000</b>	2022 (Unaudited) HK\$'000
<b>OPERATING ACTIVITIES</b>		
Operating cash flows before movements in working capital	<b>9,404</b>	(4,184)
Decrease (increase) in trade receivables	<b>6,237</b>	(13,952)
Decrease (increase) in other receivables, deposits and prepayments	<b>6,264</b>	(4,631)
Increase in contract assets	<b>(16,128)</b>	(10,435)
Decrease in trade payables	<b>(12,845)</b>	(7,857)
Decrease in other payables and accrued charges	<b>(9,019)</b>	(9,643)
(Decrease) increase in contract liabilities	<b>(6,430)</b>	2,576
(Increase) decrease in inventories	<b>(7)</b>	4
Income taxes paid	<b>(4,755)</b>	(2,257)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(27,279)</b>	(50,379)
<b>INVESTING ACTIVITIES</b>		
Additions to property, plant and equipment	<b>(1,188)</b>	(95)
Placement of pledged bank deposits	<b>(208)</b>	–
Withdrawal of pledged bank deposits	<b>–</b>	558
Additions to intangible assets	<b>(79)</b>	–
Interest received	<b>175</b>	224
Proceeds from disposal of property, plant and equipment	<b>4</b>	1
Proceeds from disposal of financial assets at fair value through profit or loss	<b>–</b>	30,300
<b>NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES</b>	<b>(1,296)</b>	30,988

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)**

For the six months period ended 30 June 2023

	<b>Six months period ended 30 June</b>	
	<b>2023 (Unaudited) HK\$'000</b>	2022 (Unaudited) HK\$'000
FINANCING ACTIVITIES		
Repayments of bank borrowings	<b>(60,000)</b>	(60,000)
Repayments of lease liabilities	<b>(9,922)</b>	(12,702)
Dividend paid	–	(57,070)
Finance costs paid for lease liabilities	<b>(1,026)</b>	(974)
Interest paid	<b>(1,111)</b>	(745)
New bank borrowings raised	<b>60,000</b>	90,000
NET CASH USED IN FINANCING ACTIVITIES	<b>(12,059)</b>	(41,491)
NET DECREASE IN CASH AND CASH EQUIVALENTS	<b>(40,634)</b>	(60,882)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<b>153,338</b>	246,661
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>(1,275)</b>	(4,633)
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	<b>111,429</b>	181,146

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 June 2023

### 1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

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

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from the application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months period ended 30 June 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

#### APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosures of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)****2.1 IMPACTS ON APPLICATION OF AMENDMENTS****Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies**

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

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

**Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates**

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the HKICPA retained the concept of changes in accounting estimates in the standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)****2.1 IMPACTS ON APPLICATION OF AMENDMENTS (CONTINUED)****Amendments to HKAS 12 Income Taxes — Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying HKFRS 16 at the commencement date of a lease.

The cumulative effect of recognising these adjustments as of 31 December 2022 was not material and hence no adjustment was made to the beginning retained earnings, or another component of equity.

**3. REVENUE AND SEGMENT INFORMATION**

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

An analysis of the Group's revenue for the six months period ended 30 June 2023 and 30 June 2022 are as follows:

	<b>Six months period ended 30 June</b>	
	<b>2023 HK\$'000 (Unaudited)</b>	<b>2022 HK\$'000 (Unaudited)</b>
Service revenue	<b>123,209</b>	147,934
License fee revenue	<b>1,376</b>	1,231
Trading income	<b>33,859</b>	28,668
	<b>158,444</b>	177,833

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**3. REVENUE AND SEGMENT INFORMATION (CONTINUED)**

The operating business units are identified based on internal reports of the Group that are regularly reviewed by the Company's chief operating decision maker ("CODMs"), i.e. the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance. In prior years, operating segments were organised according to the nature of the services provided or goods sold and divided into 3 business units: interior design services, interior decorating and furnishing services and product design services. In order to obtain more reliable and relevant accounting information for making strategic decision and provide a more appropriate presentation of the Group's business operations, starting from 2023, the Group changed its operating segments based on the brand division, as follows:

1. SLD (Steve Leung Design): Provision of interior design services and licensing arrangement under all "Steve Leung" related brands, which mainly focus on the residential market.
2. SLL (Steve Leung Lifestyle): Provision of interior decorating and furnishing design services and trading of interior decorative products under "Steve Leung" related brands, which mainly focus on the residential market.
3. JHD (Jangho Design): Provision of interior design services and interior decorating and furnishing design services under "Jangho" brand, which mainly focus on the hospitality and commercial projects in the PRC.

The change in operating business units is consistent with the way in which segment information is presented in the internal reports provided to CODMs. The comparative amounts have been restated to conform with the current period's presentation.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**3. REVENUE AND SEGMENT INFORMATION (CONTINUED)**

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

**DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS**

	Six months period ended 30 June 2023 (unaudited)			
	SLD HK\$'000	SLL HK\$'000	JHD HK\$'000	Total HK\$'000
<b>Geographical markets</b>				
Hong Kong	7,432	3,883	–	11,315
PRC	81,015	33,507	24,819	139,341
Other regions	7,714	74	–	7,788
	<b>96,161</b>	<b>37,464</b>	<b>24,819</b>	<b>158,444</b>
<b>Timing of revenue recognition</b>				
Over time				
Service revenue	94,785	3,605	24,819	123,209
At point in time				
License fee revenue	1,376	–	–	1,376
Trading income	–	33,859	–	33,859
	<b>1,376</b>	<b>33,859</b>	<b>–</b>	<b>35,235</b>
	<b>96,161</b>	<b>37,464</b>	<b>24,819</b>	<b>158,444</b>

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**3. REVENUE AND SEGMENT INFORMATION (CONTINUED)****DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)**

	Six months period ended 30 June 2022 (unaudited) (restated)			
	SLD HK\$'000	SLL HK\$'000	JHD HK\$'000	Total HK\$'000
<b>Geographical markets</b>				
Hong Kong	9,255	1,568	–	10,823
PRC	81,626	33,731	38,557	153,914
Other regions	12,918	178	–	13,096
	103,799	35,477	38,557	177,833
<b>Timing of revenue recognition</b>				
Over time				
Service revenue	102,568	6,809	38,557	147,934
At point in time				
License fee revenue	1,231	–	–	1,231
Trading income	–	28,668	–	28,668
	1,231	28,668	–	29,899
	103,799	35,477	38,557	177,833



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**3. REVENUE AND SEGMENT INFORMATION (CONTINUED)**

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

**SEGMENT REVENUE AND RESULTS**

	SLD HK\$'000	SLL HK\$'000	JHD HK\$'000	Total HK\$'000
<b>For the six months period ended 30 June 2023 (unaudited)</b>				
<i>Revenue</i>				
Segment revenue from external customers	96,161	37,464	24,819	158,444
<i>Gross profit</i>				
	42,882	10,096	7,442	60,420
Selling expenses	(5,472)	(599)	(2,710)	(8,781)
Administrative expenses	(36,478)	(15,901)	(4,133)	(56,512)
Impairment losses on trade receivables and contract assets under expected credit loss model	(6,633)	(1,704)	(1,421)	(9,758)
Other operating (expenses) income	(640)	71	267	(302)
Finance costs	(1,854)	(260)	(23)	(2,137)
Loss before taxation	(8,195)	(8,297)	(578)	(17,070)

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**3. REVENUE AND SEGMENT INFORMATION (CONTINUED)****SEGMENT REVENUE AND RESULTS (CONTINUED)**

	SLD HK\$'000	SLL HK\$'000	JHD HK\$'000	Total HK\$'000
<b>For the six months period ended 30 June 2022 (unaudited) (restated)</b>				
<i>Revenue</i>				
Segment revenue from external customers	103,799	35,477	38,557	177,833
<i>Gross profit</i>	29,819	9,519	16,058	55,396
Selling expenses	(8,830)	(646)	(3,156)	(12,632)
Administrative expenses	(44,806)	(16,509)	(4,551)	(65,866)
Impairment losses on trade receivables and contract assets under expected credit loss model	(3,307)	(2,870)	(2,840)	(9,017)
Other operating (expenses) income	(1,134)	71	54	(1,009)
Finance costs	(1,525)	(194)	–	(1,719)
(Loss) profit before taxation	(29,783)	(10,629)	5,565	(34,847)

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

	Six months period ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net impairment losses recognised in respect of		
— trade receivables	8,255	7,985
— contract assets	1,503	1,032
	<b>9,758</b>	9,017

The basis of determining the data, assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months period ended 30 June 2023 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**5. INCOME TAX EXPENSE**

	Six months period ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	5,245	4,999
	<b>5,245</b>	4,999
Under provision in prior years:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	56	98
	<b>56</b>	98
Deferred taxation	<b>(4,596)</b>	(3,835)
	<b>705</b>	1,262

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**6. LOSS FOR THE PERIOD**

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

	<b>Six months period ended 30 June</b>	
	<b>2023 HK\$'000 (Unaudited)</b>	<b>2022 HK\$'000 (Unaudited)</b>
Amortisation of intangible assets		
— included in cost of sales	<b>87</b>	104
— included in administrative expenses	<b>137</b>	116
	<b>224</b>	220
Cost of inventories recognised as an expense	<b>24,322</b>	19,370
Depreciation of property, plant and equipment	<b>2,874</b>	6,535
Depreciation of right-of-use assets	<b>10,843</b>	12,594
Exchange loss, net	<b>415</b>	1,851
Interest income from banks	<b>(175)</b>	(224)
Interest on bank borrowings	<b>1,111</b>	745
Interest on lease liabilities	<b>1,026</b>	974
Loss on disposals of property, plant and equipment	<b>358</b>	16
Loss on lease termination	<b>469</b>	—
Gain on lease modification	<b>(14)</b>	—
Grants received from local government (Note 1)	<b>(276)</b>	(78)
PRC incentive rebates (Note 2)	<b>(43)</b>	(79)

Notes:

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**7. DIVIDEND**

	<b>Six months period ended 30 June</b>	
	<b>2023 HK\$'000 (Unaudited)</b>	<b>2022 HK\$'000 (Unaudited)</b>
Dividends for ordinary shareholders of the Company recognised as distribution during the period:		
Special dividend for the year ended 31 December 2022: Nil (six months period ended 30 June 2022: special dividend for the year ended 31 December 2021 of HK5.00 cents per share)	–	57,070
Final dividend for the year ended 31 December 2022: Nil (six months period ended 30 June 2022: Nil)	–	–
	–	57,070

The directors of the Company do not recommend the payment of an interim dividend for the six months period ended 30 June 2023.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**8. LOSS PER SHARE**

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

	<b>Six months period ended 30 June</b>	
	<b>2023 HK\$'000 (Unaudited)</b>	2022 HK\$'000 (Unaudited)
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<b>(17,331)</b>	(36,931)

	<b>Six months period ended 30 June</b>	
	<b>2023</b>	2022
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>1,141,401,000</b>	1,141,401,000

The computation of diluted loss per share for the six months period ended 30 June 2023 and 30 June 2022 did not assume the conversion of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share for the period.

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

During the six months period ended 30 June 2023, the Group acquired property, plant and equipment of HK\$2,463,000 (six months period ended 30 June 2022: HK\$385,000).

During the six months period ended 30 June 2023, the Group entered into new lease agreements for the use of properties ranging from 2 to 3 years (six months period ended 30 June 2022: 3 to 5 years) and recognised right-of-use assets of HK\$27,946,000 (six months period ended 30 June 2022: HK\$1,648,000) and lease liabilities of HK\$27,946,000 (six months period ended 30 June 2022: HK\$1,648,000) on lease commencement. The Group early terminated two leases of lease liabilities amounting to HK\$4,708,000, and a corresponding adjustment was made to the right-of-use assets for HK\$4,461,000; and modified one lease of lease liability amounting to HK\$283,000, and a corresponding adjustment was made to right-of-use asset for HK\$269,000 during the six months period ended 30 June 2023.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**10. TRADE RECEIVABLES**

	<b>At 30 June 2023 HK\$'000 (Unaudited)</b>	At 31 December 2022 HK\$'000 (Audited)
Trade receivables	<b>162,111</b>	169,001
Less: allowance for credit losses	<b>(57,772)</b>	(54,480)
Trade receivables (net carrying amount)	<b>104,339</b>	114,521
Unbilled receivables (Note)	<b>89,974</b>	94,904
Less: allowance for credit losses	<b>(37,477)</b>	(34,910)
Unbilled receivables (net carrying amount)	<b>52,497</b>	59,994
	<b>156,836</b>	174,515

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

Included in the carrying amount of trade receivables as at 30 June 2023 is an amount of HK\$17,464,000 (31 December 2022: HK\$20,192,000) due from related parties controlled by a controlling shareholder of the Company.

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

	<b>At 30 June 2023 HK\$'000 (Unaudited)</b>	At 31 December 2022 HK\$'000 (Audited)
0 to 30 days	<b>35,778</b>	35,838
31 to 90 days	<b>9,976</b>	13,165
91 to 180 days	<b>6,074</b>	19,162
181 days to 1 year	<b>19,841</b>	17,244
Over 1 year	<b>32,670</b>	29,112
	<b>104,339</b>	114,521

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**10. TRADE RECEIVABLES (CONTINUED)**

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

As at 30 June 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$104,339,000 (31 December 2022: HK\$114,521,000) which are past due as at the reporting date. Out of the past due balances, HK\$58,585,000 (31 December 2022: HK\$65,518,000) has been past due more than 90 days and is not considered as in default since the amounts are still considered as recoverable based on historical experience and forward-looking estimates. As at 30 June 2023, the Group's trade receivables of HK\$17,314,000 (31 December 2022: HK\$19,142,000) are collateralised by certain PRC properties of customers, of which HK\$17,297,000 (31 December 2022: HK\$16,865,000) are related to debtors with balances due over 1 year.

The basis of determining the inputs and assumptions and the estimation techniques for the assessment of the impairment losses under expected credit loss model used in the condensed consolidated financial statements for the six months period ended 30 June 2023 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022.

**11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<b>At 30 June 2023 HK\$'000 (Unaudited)</b>	At 31 December 2022 HK\$'000 (Audited)
Other receivables	<b>6,547</b>	9,113
Value-added tax recoverable	<b>1,084</b>	3,176
Prepayments of expenses	<b>2,013</b>	2,986
Rental deposits	<b>4,331</b>	6,327
PRC tax rebates	<b>32</b>	358
Deposits paid for acquisition of property, plant and equipment	<b>3,228</b>	4,503
Other deposits	<b>1,770</b>	797
	<b>19,005</b>	27,260
Analysed as:		
Current	<b>11,446</b>	16,430
Non-current — Deposits paid for acquisition of property, plant and equipment	<b>3,228</b>	4,503
Non-current — Rental deposits	<b>4,331</b>	6,327
	<b>19,005</b>	27,260



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**12. CONTRACT ASSETS AND CONTRACT LIABILITIES**

	<b>At 30 June 2023 HK\$'000 (Unaudited)</b>	At 31 December 2022 HK\$'000 (Audited)
<b>Contract assets</b>		
Interior design services	<b>91,989</b>	78,696
Interior decorating and furnishing services	<b>5,706</b>	4,801
Less: allowance for credit losses	<b>(17,750)</b>	(16,716)
	<b>79,945</b>	66,781

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

Included in the carrying amount of contract assets as at 30 June 2023 is an amount of HK\$1,728,000 (31 December 2022: HK\$2,042,000) from related parties controlled by a controlling shareholder of the Company.

	<b>At 30 June 2023 HK\$'000 (Unaudited)</b>	At 31 December 2022 HK\$'000 (Audited)
<b>Contract liabilities</b>		
Interior design services	<b>9,919</b>	8,667
Interior decorating and furnishing services	<b>7,555</b>	15,377
	<b>17,474</b>	24,044

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**13. 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:

	<b>At 30 June 2023 HK\$'000 (Unaudited)</b>	At 31 December 2022 HK\$'000 (Audited)
0 to 180 days	<b>12,224</b>	21,335
Over 180 days	<b>15,668</b>	19,402
	<b>27,892</b>	40,737

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

	<b>At 30 June 2023 HK\$'000 (Unaudited)</b>	At 31 December 2022 HK\$'000 (Audited)
Accrued staff benefits	<b>10,429</b>	16,526
Deposits received from customers	<b>242</b>	139
Other payables and accrued charges	<b>4,646</b>	7,671
	<b>15,317</b>	24,336

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**14. BANK BORROWINGS**

	<b>At 30 June 2023 HK\$'000 (Unaudited)</b>	At 31 December 2022 HK\$'000 (Audited)
The carrying amounts of the bank loans that contain a repayment on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment dates set out in the loan agreements are within one year	<b>30,000</b>	30,000

As at 30 June 2023, included in the Group's borrowings are variable-rate borrowings of HK\$30,000,000 (31 December 2022: HK\$30,000,000) carrying interest ranging from 3.25% to 3.75% (31 December 2022: 2.5% to 3.75%) per annum over Hong Kong Interbank Offering Rate.

**15. SHARE CAPITAL**

	<b>Number of shares</b>	<b>HK\$</b>
Ordinary shares of the Company of HK\$0.01 each		
<b>Authorised</b>		
At 1 January 2022 (audited), 31 December 2022 (audited) and 30 June 2023 (unaudited)	4,000,000,000	40,000,000
<b>Issued and fully paid</b>		
At 1 January 2022 (audited), 31 December 2022 (audited) and 30 June 2023 (unaudited)	1,141,401,000	11,414,010

**16. PLEDGE OF ASSETS**

As at 30 June 2023, a bank deposit HK\$208,000 (31 December 2022: Nil) was pledged to a bank to secure a performance bond.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

For the six months period ended 30 June 2023

**17. RELATED PARTY TRANSACTIONS**

Other than the balances and transactions with related parties disclosed elsewhere in these condensed consolidated financial statements, the Group has entered into the following transactions with its related parties during the periods:

Relationship	Nature of transactions	Six months period ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Fellow subsidiaries	Interior design service income	1,973	3,537
	Consultancy service expense	—	414
	Rental expense	755	806

**COMPENSATION OF KEY MANAGEMENT PERSONNEL**

The remuneration of key management personnel of the Group is as follows:

	Six months period ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Basic salaries, allowance and other benefits	7,552	8,693
Discretionary bonus	497	4,631
Retirement benefits scheme contributions	300	350
	<b>8,349</b>	13,674

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2023

### 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

### 19. SHARE-BASED PAYMENT TRANSACTIONS

#### EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY

The share option scheme was adopted pursuant to a resolution passed on 11 June 2018 (the "**Scheme**") for the purpose of recognising the contribution of certain senior management, employees, consultants and other contributors of the Group (the "**Participants**") that have made or may have been made to the growth of the Group. Under the Scheme, the Board may grant options to Participants, including directors of the Group, 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 Scheme; (ii) the entitlement of dividend rights and shares of SLDL 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 30 June 2023, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 28,694,400 (31 December 2022: 28,694,400), representing 2.51% (31 December 2022: 2.51%) 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 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2023

## 19. 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 period:

Date of grant	Exercise price HK\$	Exercise period	Outstanding at 1 January 2022	Exercised during the year	Forfeited during the year (Note)	Outstanding at 31 December 2022	Exercised during the period	Forfeited during the period	Outstanding at 30 June 2023
5 July 2018	0.44	05/07/2018–30/6/2024	5,592,840	–	–	5,592,840	–	–	5,592,840
		05/07/2019–30/6/2024	5,592,840	–	–	5,592,840	–	–	5,592,840
		05/07/2020–30/6/2024	5,739,360	–	–	5,739,360	–	–	5,739,360
		05/07/2021–30/6/2024	5,885,040	–	(360)	5,884,680	–	–	5,884,680
		05/07/2022–30/6/2024	6,005,520	–	(120,840)	5,884,680	–	–	5,884,680
			28,815,600	–	(121,200)	28,694,400	–	–	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 contracts who have subsequently resigned. Such options have forfeited during the year.

During the year ended 31 December 2018, 30,483,600 options were granted as a replacement of the Conversion Scheme on 5 July 2018. The estimated fair values of the options granted and the fair values of the shares awarded under the Conversion Scheme and cancelled on date of replacement are HK\$23,569,000 and HK\$23,185,000, respectively. The Company continues to expense those shares awarded under the Conversion Scheme not yet recognised over the original vesting period and expense the incremental fair values of the options granted over the share awarded under Conversion Scheme determined on the date of replacement over the period from the date of replacement of the Conversion Scheme until the dates when the relevant share options vest.

The Group recognised the total expense of HK\$786,000 for the six months period ended 30 June 2022 in relation to share options granted by the Company and shares awarded under the Conversion Scheme. All such expenses were fully recognised during the year ended 31 December 2022.