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STEVE LEUNG DESIGN GROUP LIMITED
梁志天設計集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2262)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

	For the six months period ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Results:		
Revenue for the period (HK$'million)	**164.5**	158.4
Loss for the period (HK$'million)	**(7.4)**	(17.8)
Loss per share-basic (HK cents)	**(0.54)**	(1.52)

Net Assets Value:

As at 30 June 2024, the Group had net assets value per share of approximately HK$0.27 (31 December 2023: approximately HK$0.28).

Remaining Contract Sum:

As at 30 June 2024, the Group had remaining contract sum of approximately HK$538.3 million (31 December 2023: approximately HK$454.1 million).

Bank Balances and Cash:

As at 30 June 2024, the Group had bank balances and cash of approximately HK$99.6 million (31 December 2023: approximately HK$148.9 million).

Interim Dividend:

The Board resolved not to declare payment of any interim dividend for the six months period ended 30 June 2024.

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of STEVE LEUNG DESIGN GROUP LIMITED 梁志天設計集團有限公司(the "**Company**") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months period ended 30 June 2024 (the "**Period**") together with the unaudited comparative figures for the corresponding six months period ended 30 June 2023 (the "**Previous Period**") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024

		Six months period ended 30 June	
	NOTES	**2024**	2023
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
Revenue	*3*	**164,514**	158,444
Cost of sales		**(100,583)**	(98,024)
Gross profit		**63,931**	60,420
Other gains and losses		**(2,937)**	(1,228)
Impairment losses on trade receivables and contract assets under expected credit loss model	*4*	**(5,390)**	(9,758)
Other income		**1,021**	926
Selling expenses		**(7,706)**	(8,781)
Administrative expenses		**(51,507)**	(56,512)
Finance costs		**(2,000)**	(2,137)
Loss before taxation		**(4,588)**	(17,070)
Income tax expense	*5*	**(2,786)**	(705)
Loss for the period	*6*	**(7,374)**	(17,775)
Other comprehensive expense that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(890)**	(5,788)
Total comprehensive expense for the period		**(8,264)**	(23,563)

	NOTES	Six months period ended 30 June **2024** **(Unaudited)** ***HK$'000***	2023 (Unaudited) *HK$'000*
Loss for the period attributable to:			
— Owners of the Company		**(6,139)**	(17,331)
— Non-controlling interests		**(1,235)**	(444)
		(7,374)	(17,775)
Total comprehensive expense for the period attributable to:			
— Owners of the Company		**(6,986)**	(22,890)
— Non-controlling interests		**(1,278)**	(673)
		(8,264)	(23,563)
Loss per share (expressed in Hong Kong cents)			
– Basic	*7*	**(0.54)**	(1.52)
– Diluted	*7*	**(0.54)**	(1.52)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	NOTES	**30 June 2024 (Unaudited) *HK$'000***	31 December 2023 (Audited) *HK$'000*
Non-current Assets			
Property, plant and equipment	*8*	**12,493**	13,211
Right-of-use assets	*8*	**34,066**	43,685
Intangible assets		**1,464**	1,668
Goodwill		**1,182**	1,187
Deposits paid for acquisition of property, plant and equipment	*10*	**3,257**	3,269
Rental deposits	*10*	**5,413**	5,419
Deferred tax assets		**50,895**	52,393
		108,770	120,832
Current Assets			
Inventories		**31**	50
Trade receivables	*9*	**151,672**	136,106
Other receivables, deposits and prepayments	*10*	**9,769**	9,136
Contract assets	*11*	**94,405**	80,171
Tax recoverable		**590**	734
Pledged bank deposits	*15*	**–**	211
Restricted bank balances	*15*	**2,265**	1,723
Bank balances and cash		**99,562**	148,892
		358,294	377,023
Current Liabilities			
Trade payables	*12*	**37,373**	43,914
Other payables and accrued charges	*12*	**19,448**	20,684
Bank borrowings	*13*	**20,000**	30,000
Lease liabilities		**17,806**	20,232
Contract liabilities	*11*	**20,402**	15,103
Tax liabilities		**20,987**	20,516
		136,016	150,449
Net Current Assets		**222,278**	226,574
Total Assets less Current Liabilities		**331,048**	347,406

	NOTES	30 June 2024 (Unaudited) HK$'000	31 December 2023 (Audited) HK$'000
Capital and Reserves			
Share capital	14	**11,414**	11,414
Reserves		**286,138**	293,124
Equity attributable to owners of the Company		**297,552**	304,538
Non-controlling interests		**10,242**	11,520
Total Equity		**307,794**	316,058
Non-current Liabilities			
Deferred tax liabilities		**5,021**	6,314
Lease liabilities		**18,233**	25,034
		23,254	31,348
		331,048	347,406

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2024

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting* issued by the Hong Kong Institutes of Certified Public Accountants (the "**HKICPA**") as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

2. MATERIAL 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 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised)
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

2.1 Impacts on application of amendments

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised) ("HK int 5 (Revised)")

Amendments made to HKAS 1 *Presentation of Financial Statements* in 2020 and 2022 clarified that liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting period.

Classification is unaffected by the entity's expectations or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants with which the entity must comply within 12 months of reporting date. The disclosures include:

- the carrying amount of the liability;
- information about the covenants; and
- facts and circumstances, if any, that indicate that the entity might have difficulty complying with the covenants.

The amendments also clarify what HKAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

The amendments must be applied retrospectively in accordance with the normal requirements in HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

HK int 5 (Revised) has incorporated the references to Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* and Amendments to HKAS 1 *Non-current Liabilities with Covenants*. This Interpretation has been updated to incorporate the references to these amendments, but its conclusions are not impacted by these amendments.

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

Amendments to HKFRS 16 Lease Liability in a Sale and Leaseback

The HKICPA finalised narrow-scope amendments to the requirements for sale and leaseback transactions in HKFRS 16 *Leases* which explain how an entity accounts for a sale and leaseback after the date of the transaction.

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

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

Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The HKICPA issued amendments to HKAS 7 and HKFRS 7 to require specific disclosure about supplier finance arrangements ("**SFAs**"). The amendments respond to investors that said that they urgently needed more information about SFAs to be able to assess how these arrangements affect an entity's liabilities, cash flows and liquidity risk.

To meet investors' needs, the new disclosures will provide information about:

(1) The terms and conditions of SFAs.

(2) The carrying amount of financial liabilities that are part of SFAs, and the line items in which those liabilities are presented.

(3) The carrying amount of the financial liabilities in (2), for which the suppliers have already received payment from the financial providers.

(4) The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.

(5) Non-cash changes in the carrying amounts of financial liabilities in (2).

(6) Access to SFA facilities and concentration of liquidity risk with the finance providers.

Entities will be required to aggregate the information that they provide about SFAs. However, entities should disaggregate information about terms and conditions that are dissimilar, disclose explanatory information where the range of payment due dates is wide, and disclose the type and effect of non-cash changes that are needed for comparability between periods.

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

3. REVENUE AND SEGMENT INFORMATION

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

An analysis of the Group's revenue for the six months period ended 30 June 2024 and 30 June 2023 are as follows:

	Six months period ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Service revenue	**128,032**	123,209
License fee revenue	**742**	1,376
Trading income	**35,740**	33,859
	164,514	158,444

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, i.e. the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance.

Specifically, the Group's reportable segments under HKFRS 8 *Operating Segments* are 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, interior decorating and furnishing design services and trading of interior decorative products under "Jangho" brand, which mainly focus on the hospitality and commercial projects in the PRC.

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

Disaggregation of revenue from contracts with customers

	SLD *HK$'000*	**SLL** *HK$'000*	**JHD** *HK$'000*	**Total** *HK$'000*
Six months period ended 30 June 2024 (unaudited)				
Geographical markets				
Hong Kong	**5,855**	**347**	**–**	**6,202**
PRC	**76,375**	**38,595**	**25,120**	**140,090**
Other regions	**17,581**	**641**	**–**	**18,222**
	99,811	**39,583**	**25,120**	**164,514**
Timing of revenue recognition				
Over time				
Service revenue	**99,069**	**5,613**	**23,350**	**128,032**
At point in time				
License fee revenue	**742**	**–**	**–**	**742**
Trading income	**–**	**33,970**	**1,770**	**35,740**
	742	**33,970**	**1,770**	**36,482**
	99,811	**39,583**	**25,120**	**164,514**

	SLD *HK$'000*	SLL *HK$'000*	JHD *HK$'000*	Total *HK$'000*
Six months period ended 30 June 2023 (unaudited)				
Geographical markets				
Hong Kong	7,432	3,883	–	11,315
PRC	81,015	33,507	24,819	139,341
Other regions	7,714	74	–	7,788
	96,161	37,464	24,819	158,444
Timing of revenue recognition				
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
	1,376	33,859	–	35,235
	96,161	37,464	24,819	158,444

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*
For the six months period ended 30 June 2024 (unaudited)				
Revenue				
Segment revenue	**101,011**	**42,202**	**25,186**	**168,399**
Inter-segment revenue	**(1,200)**	**(2,619)**	**(66)**	**(3,885)**
Segment revenue from external customers	**99,811**	**39,583**	**25,120**	**164,514**
Gross profit	**45,420**	**12,175**	**6,336**	**63,931**
Selling expenses	**(4,458)**	**(1,037)**	**(2,211)**	**(7,706)**
Administrative expenses	**(33,114)**	**(14,799)**	**(3,594)**	**(51,507)**
Impairment losses on trade receivables and contract assets under expected credit loss model	**(2,721)**	**2,868**	**(5,537)**	**(5,390)**
Other operating income (expenses)	**197**	**110**	**(2,223)**	**(1,916)**
Finance costs	**(1,896)**	**(91)**	**(13)**	**(2,000)**
Profit (loss) before taxation	**3,428**	**(774)**	**(7,242)**	**(4,588)**

	SLD *HK$'000*	SLL *HK$'000*	JHD *HK$'000*	Total *HK$'000*
For the six months period ended 30 June 2023 (unaudited) (re-presented)				
Revenue				
Segment revenue	99,510	39,708	24,893	164,111
Inter-segment revenue	(3,349)	(2,244)	(74)	(5,667)
Segment revenue from external customers	96,161	37,464	24,819	158,444
Gross profit	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)

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

	Six months period ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net impairment losses recognised (reversed) in respect of		
— trade receivables	**(4,527)**	8,255
— contract assets	**9,917**	1,503
	5,390	9,758

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 2024 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023.

5. INCOME TAX EXPENSE

	Six months period ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**2,753**	5,245
	2,753	5,245
(Over) under provision in prior years:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax	**(5)**	56
	(5)	56
Deferred taxation	**38**	(4,596)
	2,786	705

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

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

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

6. LOSS FOR THE PERIOD

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

	Six months period ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of intangible assets		
— included in cost of sales	**71**	87
— included in administrative expenses	**128**	137
	199	224
Cost of inventories recognised as an expense	**24,845**	24,322
Depreciation of property, plant and equipment	**2,263**	2,874
Depreciation of right-of-use assets	**9,935**	10,843
Exchange loss, net	**777**	415
Interest income from banks	**(155)**	(175)
Interest on bank borrowings	**1,144**	1,111
Interest on lease liabilities	**856**	1,026
(Gain) loss on disposals of property, plant and equipment	**(80)**	358
Loss on lease termination	**–**	469
Gain on lease modification	**–**	(14)
Grants received from local government *(Note 1)*	**(28)**	(276)
PRC incentive rebates *(Note 2)*	**(54)**	(43)
Provision for litigations *(Note 3)*	**2,240**	–

Notes:

1. The amounts represent grants provided by the relevant PRC authorities to certain PRC subsidiaries of the Group. There were no other terms to the grants and therefore, the Group recognised the grants in other income upon approvals being obtained from the relevant PRC authorities.

2. The amounts represent certain incentive to attract foreign investments from the relevant PRC local authorities in the form of incentive rebates in Tianjin, the PRC.

3. During the Period, the Group has encountered two legal disputes involving restricted bank balances. These disputes have been treated as follows:

   (i) A PRC subsidiary of the Group has a contractual dispute related to interior decorating and furnishing services provided to a client. The legal proceedings for this case are approaching their final judgment. The Group's internal assessment indicates a substantial likelihood of the need for compensation to such client. Consequently, the case has been recognised a provision with an estimated liability of approximately RMB1,566,000 (equivalent to approximately HK$1,697,000). As at 30 June 2024, a bank account of approximately RMB1,566,000 was frozen due to the dispute.

   (ii) A PRC subsidiary of the Group has a labour dispute related to compensation to a former employee. The dispute has been resolved through a labour and personnel dispute arbitration committee, resulting in an estimated liability of approximately RMB501,000 (equivalent to approximately HK$543,000). As at 30 June 2024, a bank account of approximately RMB501,000 was frozen due to the dispute.

7. 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:

	Six months period ended 30 June 2024 HK$'000 (Unaudited)	2023 HK$'000 (Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	**(6,139)**	(17,331)

	Six months period ended 30 June 2024	2023
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,141,401,000**	1,141,401,000

The computation of diluted loss per share for the six months period ended 30 June 2024 and 30 June 2023 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.

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

During the six months period ended 30 June 2024, the Group acquired property, plant and equipment of HK$1,596,000 (six months period ended 30 June 2023: HK$2,463,000).

During the six months period ended 30 June 2024, the Group did not enter into new lease arrangements.

During the six months period ended 30 June 2023, the Group entered into new lease arrangements for the use of properties ranging from 2 to 3 years and recognised right-of-use assets of HK$27,946,000 and lease liabilities of HK$27,946,000 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 make to right-of-use asset for HK$269,000 during the six months period ended 30 June 2023.

9. TRADE RECEIVABLES

	At 30 June 2024 *HK$'000* **(Unaudited)**	At 31 December 2023 *HK$'000* (Audited)
Trade receivables	**177,782**	156,284
Less: allowance for credit losses	**(56,676)**	(59,431)
Trade receivables (net carrying amount)	**121,106**	96,853
Unbilled receivables *(Note)*	**60,921**	71,654
Less: allowance for credit losses	**(30,355)**	(32,401)
Unbilled receivables (net carrying amount)	**30,566**	39,253
	151,672	136,106

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 2024 is an amount of HK$13,186,000 (31 December 2023: HK$11,747,000) due from related parties controlled by a controlling shareholder of the Company.

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

	At 30 June 2024 *HK$'000* **(Unaudited)**	At 31 December 2023 *HK$'000* (Audited)
0 to 30 days	**30,093**	32,119
31 to 90 days	**13,120**	19,275
91 to 180 days	**29,363**	9,905
181 days to 1 year	**17,631**	5,597
Over 1 year	**30,899**	29,957
	121,106	96,853

There is no credit period given on billing for clients of the Group.

As at 30 June 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$121,106,000 (31 December 2023: HK$96,853,000) which are past due as at the reporting date. Out of the past due balances, HK$77,893,000 (31 December 2023: HK$45,459,000) have been past due more than 90 days and are 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 2024, the Group's trade receivables of HK$7,050,000 (31 December 2023: HK$7,120,000) are collateralised by certain PRC properties of clients, of which HK$7,050,000 (31 December 2023: HK$7,120,000) 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 2024 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2024	At 31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Other receivables	**4,802**	4,834
Value-added tax recoverable	**1,049**	1,281
Prepayments of expenses	**3,273**	2,451
Rental deposits	**5,415**	5,421
Deposits paid for acquisition of property, plant and equipment	**3,257**	3,269
Other deposits	**643**	568
	18,439	17,824
Analysed as:		
Current	**9,769**	9,136
Non-current — Deposits paid for acquisition of property, plant and equipment	**3,257**	3,269
Non-current — Rental deposits	**5,413**	5,419
	18,439	17,824

11. CONTRACT ASSETS AND CONTRACT LIABILITIES

	At 30 June 2024	At 31 December 2023
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contract assets		
Interior design services	**131,907**	107,525
Interior decorating and furnishing services	**6,839**	7,078
Less: allowance for credit losses	**(44,341)**	(34,432)
	94,405	80,171

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 2024 is an amount of HK$1,177,000 (31 December 2023: HK$1,122,000) from related parties controlled by a controlling shareholder of the Company.

	At 30 June 2024 HK$'000 (Unaudited)	At 31 December 2023 HK$'000 (Audited)
Contract liabilities		
Interior design services	**10,494**	6,529
Interior decorating and furnishing services	**9,908**	8,574
	20,402	15,103

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

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

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

	At 30 June 2024 HK$'000 (Unaudited)	At 31 December 2023 HK$'000 (Audited)
0 to 180 days	**19,155**	32,262
Over 180 days	**18,218**	11,652
	37,373	43,914

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

	At 30 June 2024 HK$'000 (Unaudited)	At 31 December 2023 HK$'000 (Audited)
Accrued staff benefits	**9,082**	13,859
Deposits received from clients	**549**	–
Other payables and accrued charges *(Note)*	**9,817**	6,825
	19,448	20,684

Note: As at 30 June 2024, the Group has recognised the provision for estimated liabilities due to the legal disputes totaling approximately RMB2,067,000 (equivalent to approximately HK$2,265,000). Details of the disputes are set out in note 6.

13. BANK BORROWINGS

	At 30 June 2024 HK$'000 (Unaudited)	At 31 December 2023 HK$'000 (Audited)
Unsecured	**20,000**	30,000
The carrying amounts of the bank loans that contain a repayment on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment dates set out in the loan agreements are within one year	**20,000**	30,000

As at 30 June 2024, included in the Group's borrowings are variable-rate borrowings of HK$20,000,000 (31 December 2023: HK$30,000,000) carrying interest of 3.75% (31 December 2023: ranging from 3.25% to 3.75%) per annum over Hong Kong Interbank Offering Rate.

14. SHARE CAPITAL

	Number of shares	HK$
Ordinary shares of the Company of HK$0.01 each		
Authorised		
At 1 January 2023 (audited), 31 December 2023 (audited) and 30 June 2024 (unaudited)	4,000,000,000	40,000,000
Issued and fully paid		
At 1 January 2023 (audited), 31 December 2023 (audited) and 30 June 2024 (unaudited)	1,141,401,000	11,414,010

15. PLEDGE OF ASSETS AND RESTRICTED BANK BALANCES

As at 30 June 2024, no bank deposit (31 December 2023: HK$211,000 was pledged to a bank to secure a performance bond) was pledged to any bank.

As at 30 June 2024, the restricted bank balances amounted to HK$2,265,000 (31 December 2023: HK$1,723,000), which was due to legal disputes, details of which are set out in note 6.

MANAGEMENT DISCUSSION AND ANALYSIS

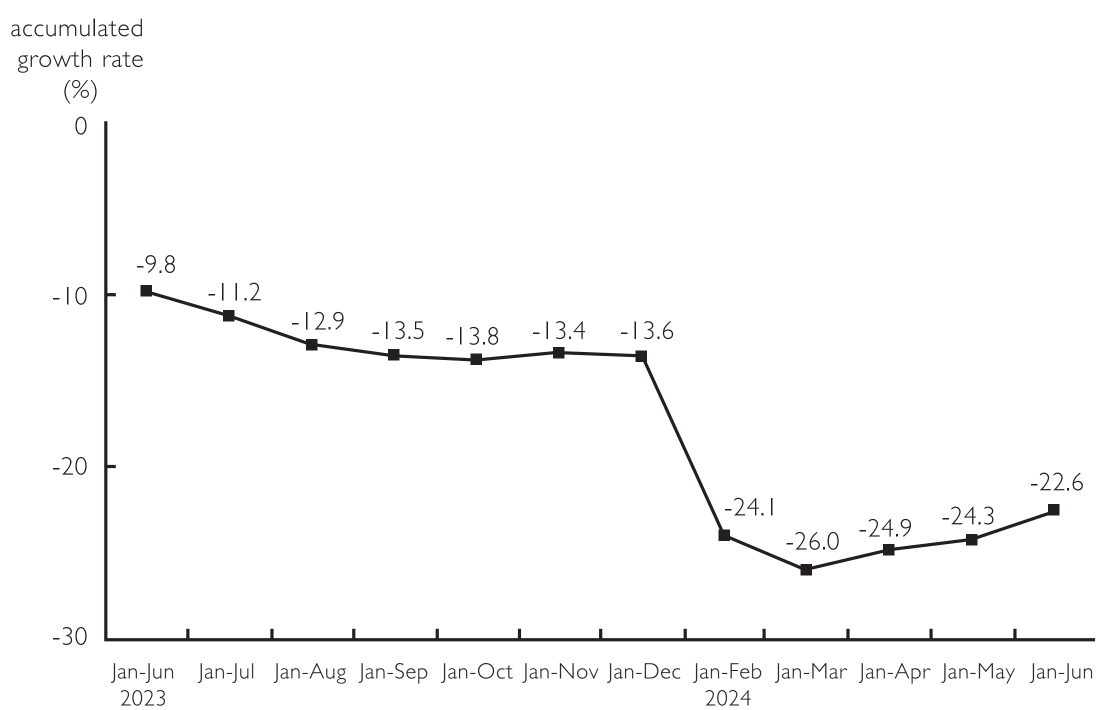
Market Overview

In the first half of 2024, the global economy continued the sluggish trend of 2023, showing little progress. The International Monetary Fund (IMF) projected in its World Economic Outlook published in July 2024 that economic growth will probably remain at 3.2% for the year of 2024. Emerging markets and developing economies in Asia, particularly the PRC, are expected to grow at a rate above the global average, though this growth will also slow compared to 2023.

Amid weak national economic growth, the domestic real estate market shows no signs of recovery. While developers are prioritising overdue project completion and delivery, the scale of new project development is further reduced. According to data released by the National Bureau of Statistics of China (the "**NSBC**"), investment of real estate has experienced negative growth over the past 12 months. For the Period, accumulated investment in national real estate declined by 10.1% compared to the Previous Period. The floor area of real estate under construction has also decreased significantly, with floor area of residential project under construction down by 12.5% during the Period compared to the Previous Period.

In addition to the slowdown in development and construction, available funds to real estate developers have further declined. During the Period, enterprises' available funds for real estate development dropped by 22.6% compared to the Previous Period.

Enterprises' Available Funds for Real Estate Development



Source: the NSBC

PRC domestic real estate companies are struggling to survive amid market contraction. According to the statistics released from a PRC financial database organisation "Wind", as of 15 July 2024, 61 PRC-listed companies engaged in real estate business have released their interim performance estimate for the Period. Among them, 41 expect to report net losses, with 21 projected to shift from profit to loss compared to the Previous Period.

The Chinese government continues to express goodwill towards the long-term development of the real estate sector. Mr. Han Wenxiu, deputy director of the Office of the Central Committee of Finance and Economic and director of Office of the Central Leading Group for the Rural Work, stated in July 2024 that the current supply-demand dynamics in the real estate market have been undergoing significant changes, indicating that the market is in a phase of adjustment. He emphasised the need to promote stable and healthy development, which includes managing existing inventory and optimising new supply. This involves further implementing and refining new real estate policies and accelerating the establishment of a new model for the sector, moving away from the previous model of "high debt, high turnover, high leverage". Deputy director Han also highlighted the importance of expanding domestic demand to create development space, ensuring the PRC economy achieves high-quality enhancement and reasonable growth amid unstable international environment.

Local real estate regulation measures tailored to specific conditions have continued to emerge across various PRC cities. According to the monitoring data from the China Index Academy, in the first half of 2024, approximately 180 provinces and cities implemented over 360 policies, including easing purchase restrictions and increasing mortgage limits. However, these measures have had limited impact on boosting the national real estate market, with both supply and demand showing signs of weakness in the first half of 2024. Moreover, while policies aimed at "de-stocking" have had a more significant effect on the secondary housing market, the new housing market has yet to show improvement.

Overall Performance and Business Review

As an upstream industry of the real estate industry, the interior design market continues to face pressure under the current market conditions. The Group experienced a decline in newly award contract sum of approximately 14.2% during the Period compared to the Previous Period.

In response to market changes, the Group is actively seeking to diversify its project developments beyond the residential market. These efforts are gradually yielding results, with increased revenue from sectors such as commercial and other projects. This has allowed the Group to maintain an upward trend in revenue during the Period. Furthermore, through ongoing cost reduction and efficiency enhancement measures, gross profit margin has seen a slight increase, and the level of net losses has further significantly narrowed.

Total revenue of the Group increased by approximately 3.9% to approximately HK$164.5 million during the Period (Previous Period: approximately HK$158.4 million). Gross profit of the Group increased by approximately 5.8% to approximately HK$63.9 million during the Period (Previous Period: approximately HK$60.4 million). Gross profit margin therefore increased from approximately 38.1% for the Previous Period to approximately 38.8% for the Period, mainly attributable to the decrease in cost, resulting from the continuous implementation of effective cost control measures. As a result of the decrease in operating costs and expenses as well as narrowed provision in impairment losses, the Group eventually further narrowed its net loss to approximately HK$7.4 million for the Period (Previous Period: approximately HK$17.8 million).

The Group also maintained a stable pipeline during the Period. As at 30 June 2024, the aggregate remaining contract sum of the Group was approximately HK$538.3 million (31 December 2023: approximately HK$454.1 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 2024, the bank balances and cash of the Group were approximately HK$99.6 million (31 December 2023: approximately HK$148.9 million) and the current ratio remained at approximately 2.6 (31 December 2023: approximately 2.5). The reduction of bank balances and cash was mainly due to the decelerated operating cash inflow and repayment of bank borrowing during the Period.

The following table states the Group's remaining contract sum and its movement during the periods indicated:

	For the six months period ended 30 June 2024				For the six months period ended 30 June 2023			
	SLD	**SLL**	**JHD**	**Total**	SLD	SLL	JHD	Total
	HK$ million	***HK$ million***	***HK$ million***	***HK$ million***	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Remaining contract sum at the beginning of the period	**250.6**	**114.5**	**89.0**	**454.1**	212.5	117.9	99.1	429.5
Add: New contract sum awarded during the period	**143.4**	**110.9**	**38.0**	**292.3**	194.0	100.5	46.2	340.7
Less: VAT for newly awarded contracts	**(7.0)**	**(12.2)**	**(2.2)**	**(21.4)**	(9.6)	(10.8)	(2.6)	(23.0)
Less: Revenue recognised during the period	**(99.1)**	**(39.6)**	**(25.1)**	**(163.8)**	(94.8)	(37.4)	(24.8)	(157.0)
Less: Variation order	**(14.9)**	**(5.1)**	**(0.6)**	**(20.6)**	(23.5)	(17.9)	(3.9)	(45.3)
Less: Exchange realignments	**(1.7)**	**(0.5)**	**(0.1)**	**(2.3)**	(10.2)	(5.0)	(3.2)	(18.4)
Remaining contract sum at the end of the period	**271.3**	**168.0**	**99.0**	**538.3**	268.4	147.3	110.8	526.5

Compared with the Previous Period, new contract sum awarded for the Period decreased under the unfavourable market sentiment. However, as the amount of new contract sum awarded during the Period was greater than that of completed, reduced or terminated, the remaining contract sum for SLD, SLL and JHD increased from approximately HK$250.6 million, HK$114.5 million and HK$89.0 million as at 31 December 2023 to approximately HK$271.3 million, HK$168.0 million and HK$99.0 million as at 30 June 2024, respectively.

The following table states the Group's new contract sum by brand and types of projects awarded during the periods indicated:

	For the six months period ended 30 June 2024				For the six months period ended 30 June 2023			
	SLD	**SLL**	**JHD**	**Total**	SLD	SLL	JHD	Total
	HK$ million	***HK$ million***	***HK$ million***	***HK$ million***	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
New contract sum awarded during the period								
Residential project	**109.5**	**109.2**	**8.6**	**227.3**	115.8	94.6	3.3	213.7
Private residence project	**12.5**	**0.1**	**–**	**12.6**	8.8	2.8	–	11.6
Hospitality project	**10.6**	**1.3**	**10.9**	**22.8**	55.6	2.5	15.0	73.1
Commercial project	**10.8**	**0.3**	**16.7**	**27.8**	2.0	–	25.0	27.0
Others	**–**	**–**	**1.8**	**1.8**	11.8	0.6	2.9	15.3
Total	**143.4**	**110.9**	**38.0**	**292.3**	194.0	100.5	46.2	340.7

The new contract sum awarded dropped by approximately 14.2% from approximately HK$340.7 million for the Previous Period to approximately HK$292.3 million for the Period. The drop was mainly contributed from the hospitality sector that a one-off prestige membership club contract with contract sum of approximately HK$41.9 million was awarded during the Previous Period, while none was noted during the Period.

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

	As at 30 June 2024					As at 31 December 2023				
	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*	*%*
Remaining contract sum										
Residential project	**185.3**	**163.5**	**17.7**	**366.5**	**68.1**	154.1	109.0	14.4	277.5	61.1
Private residence project	**39.2**	**1.2**	**-**	**40.4**	**7.5**	32.8	1.8	–	34.6	7.6
Hospitality project	**28.5**	**1.9**	**29.6**	**60.0**	**11.1**	44.4	1.8	26.3	72.5	16.0
Commercial project	**14.8**	**0.4**	**35.9**	**51.1**	**9.5**	9.9	0.4	32.6	42.9	9.4
Others	**3.5**	**1.0**	**15.8**	**20.3**	**3.8**	9.4	1.5	15.7	26.6	5.9
Total	**271.3**	**168.0**	**99.0**	**538.3**	**100.0**	250.6	114.5	89.0	454.1	100.0

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

	For the six months period ended 30 June 2024					For the six months period ended 30 June 2023				
	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*	*%*
Revenue										
Residential project	**58.8**	**37.4**	**4.8**	**101.0**	**61.4**	61.0	34.5	3.2	98.7	62.3
Private residence project	**5.5**	**0.7**	**-**	**6.2**	**3.8**	7.4	1.9	–	9.3	5.9
Hospitality project	**23.1**	**0.8**	**6.9**	**30.8**	**18.7**	22.1	1.0	8.8	31.9	20.1
Commercial project	**5.5**	**-**	**11.9**	**17.4**	**10.6**	2.5	–	10.8	13.3	8.4
Others	**6.9**	**0.7**	**1.5**	**9.1**	**5.5**	3.2	–	2.0	5.2	3.3
Total	**99.8**	**39.6**	**25.1**	**164.5**	**100.0**	96.2	37.4	24.8	158.4	100.0

As mentioned above, the Group's total revenue increased by approximately 3.9% during the Period. The increase was mainly resulted from the increase in revenue from commercial and other types of projects. Detailed performance of each segment was analysed as below.

SL D

SLD (Steve Leung Design) segment includes the "Steve Leung" brand, such as SLD, SLC, SLH, SL2.0, 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% to the Group's revenue (Previous Period: approximately 60.7%). Segment revenue increased from approximately HK$96.2 million for the Previous Period to approximately HK$99.8 million for the Period, representing a slight increase of approximately 3.7%. The increase in revenue was mainly arising from the increase in revenue from commercial and other types of projects as a result of the implementation of diversification strategy to compensate the decrease in revenue from residential projects under the prudent market sentiment.

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 client satisfaction. This is one of the Group's important marketing and branding strategies. During the Period, revenue generated from license fee amounted to approximately HK$0.7 million (Previous Period: approximately HK$1.4 million).

As at 30 June 2024, this business segment had a remaining contract sum of approximately HK$271.3 million (31 December 2023: approximately HK$250.6 million), which is expected to be realised based on the stages of completion and the general progress of projects in the second half of 2024 and 2025.

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 the projects of the Group. 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 approximately 24.0% to the Group's total revenue for the Period (Previous Period: approximately 23.6%). SLL performed relatively stable during the Period and remained focused on the residential project sector. Revenue for SLL recorded an increase of approximately 5.9% to approximately HK$39.6 million during the Period (Previous Period: approximately HK$37.4 million).

As at 30 June 2024, this business segment had a remaining contract sum of approximately HK$168.0 million (31 December 2023: approximately HK$114.5 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.

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

JHD contributed approximately 15.3% to the Group's total revenue for the Period (Previous Period: approximately 15.7%). Performance of JHD was stable during the Period, with segment revenue slightly increased by approximately 1.2%, from approximately HK$24.8 million for the Previous Period to approximately HK$25.1 million for the Period.

As at 30 June 2024, this business segment had a remaining contract sum of approximately HK$99.0 million (31 December 2023: approximately HK$89.0 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 2024 and 2025.

Financial Review

Revenue and Gross Profit

During the Period, the Group's revenue increased by approximately HK$6.1 million or 3.9%, from approximately HK$158.4 million for the Previous Period to approximately HK$164.5 million for the Period. The increase in total revenue was mainly contributed by the increase in revenue from commercial and other types of projects as a result of the gradual success in the implementation of diversification strategy of the Group.

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

The following table states the Group's breakdown of revenue and gross profit by brand and nature during the periods indicated:

Revenue and Gross Profit by Brand and Nature

	For the six months period ended 30 June 2024				For the six months period ended 30 June 2023			
	SLD	**SLL**	**JHD**	**Total**	SLD	SLL	JHD	Total
	HK$ million	***HK$ million***	***HK$ million***	***HK$ million***	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*
Service revenue	**99.1**	**5.6**	**23.3**	**128.0**	94.8	3.6	24.8	123.2
License fee revenue	**0.7**	**–**	**–**	**0.7**	1.4	–	–	1.4
Trading income	**–**	**34.0**	**1.8**	**35.8**	–	33.8	–	33.8
Total Revenue	**99.8**	**39.6**	**25.1**	**164.5**	96.2	37.4	24.8	158.4
Gross Profit	**45.4**	**12.2**	**6.3**	**63.9**	42.9	10.1	7.4	60.4
Gross Profit Margin	**45.5%**	**30.8%**	**25.1%**	**38.8%**	44.6%	27.0%	29.8%	38.1%

Service revenue increased from approximately HK$123.2 million for the Previous Period to approximately HK$128.0 million for the Period. The increase in service revenue is mainly attributable to the improving performance in the commercial projects.

The Group's gross profit increased by approximately HK$3.5 million or 5.8%, from approximately HK$60.4 million for the Previous Period to approximately HK$63.9 million for the Period, while gross profit margin increased to approximately 38.8% (Previous Period: approximately 38.1%). The increase was primarily due to the continuous optimisation of overall costs during the Period.

Other Gains and Losses

The Group recorded other losses of approximately HK$2.9 million for the Period as compared with approximately HK$1.2 million for the Previous Period. The increase in other losses was primarily due to the provision for litigations during the Period. For details, please refer to notes 6, 12 and 15 to the condensed consolidated financial information of this announcement.

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

Impairment losses on trade receivables and contract assets for the Period were approximately HK$5.4 million (Previous Period: approximately HK$9.8 million). The decrease was mainly attributed to the gradual improvement in the recovery rate of trade receivables, along with a lower forward-looking default rate due to the current less volatile credit market. This contrasts with the deep crisis amidst the pandemic and market turmoil during the past few years. For details, please refer to the section headed "Credit Risk Exposure" of this announcement.

Other Income

Other income of the Group mainly includes the membership fee received from the Group's newly established "Design Hub", a design-driven social community, by utilising its vacant office space, government grants, interest income from bank deposits and PRC incentive rebates. Other income remained stable, amounting to approximately HK$1.0 million for the Period (Previous Period: approximately HK$0.9 million).

Selling Expenses

Selling expenses of the Group decreased from approximately HK$8.8 million for the Previous Period to approximately HK$7.7 million for the Period, representing a decrease of approximately 12.5% during the Period. The decrease was mainly due to the decrease in staff cost from the optimisation of staff resources and manpower during the Period.

Administrative Expenses

Administrative expenses of the Group decreased from approximately HK$56.5 million for the Previous Period to approximately HK$51.5 million for the Period, representing a decrease of approximately 8.8% 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 remained stable from approximately HK$2.1 million for the Previous Period to approximately HK$2.0 million for the Period.

Loss for the Period

As a result of the continuous decrease in cost and expenses and the narrowed provision in impairment losses during the Period, the Group's loss further significantly decreased from approximately HK$17.8 million for the Previous Period to approximately HK$7.4 million for the Period.

Basic Loss Per Share

The Company's basic loss per share for the Period was approximately HK0.54 cents (Previous Period: approximately HK1.52 cents per share). The decrease was in line with the reduction of loss for the Period.

Outlook and Prospects

The economic outlook for the second half of 2024 remains uncertain. Several countries, including the United States, will hold elections this year, potentially leading to significant changes in geopolitical dynamics and economic policies, which may further increase macroeconomic uncertainties. The potential decision by the U.S. Federal Reserve to cut interest rates, as anticipated by the market, will also influence the overall economy.

In PRC, while domestic economic development remains relatively stable, the real estate market is still undergoing substantial adjustments with unprecedented transformations and reshuffling. Developers are expected to face ongoing challenges related to financing and inventory reduction, and consumer confidence is unlikely to recover in the short term, making the medium to short-term outlook for the real estate sector less optimistic, even in the face of survival crisis.

However, the Chinese government is committed to promoting a stable and healthy real estate market. Favorable policies for both supply and demand continue to be introduced. As these policies are gradually implemented and housing demand is released, the downward trend in the market may begin to slowdown in the latter half of 2024.

While maintaining a cautiously optimistic view on the external economic environment and market developments, the Group will continue to actively diversify to mitigate risks. This includes expanding our presence in sectors such as hotels, prestige membership clubs, and catering, while providing professional interior design services for a variety of projects. The Group will also explore collaborations with high-end brands from different industries to enhance its brand recognition through synergistic benefits.

Additionally, the Group will focus on expanding its footprint within the interior design industry by strengthening collaborations with independent and international designers, fostering innovative thinking within its teams. The Group remains open to potential acquisition opportunities to maximise the added value of its services, expand client base and further broaden its source of revenue.

Despite the rapidly changing external environment, the Company will persistently enhance its competitiveness, aiming to capture market share. During this turbulent period, the Company will seek stability while progressing and maximising the value of the shareholders of the Company (the "**Shareholders**").

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 2024, the Group's total debt (representing total interest-bearing borrowings excluding lease liabilities arising from the adoption of HKFRS 16) to total asset ratio was approximately 4.3% (31 December 2023: approximately 6.0%). 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 6.7% (31 December 2023: approximately 9.9%). The Group had net cash (bank balances and cash (including pledged bank deposits) less total debt) of approximately HK$79.6 million as at 30 June 2024 (31 December 2023: approximately HK$119.1 million). The reduction in net cash was mainly contributed by the repayment of bank borrowings and the further slowdown of the overall project progress and collections from clients of the Group.

The bank borrowings of approximately HK$20.0 million as at 30 June 2024 (31 December 2023: approximately 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 13 to the condensed consolidated financial information of this announcement. Further costs for operations and expansion will be partially financed by unutilised bank facilities. As at 30 June 2024 and up to the date of this announcement, the bank borrowings were 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 2024 was approximately 2.6 (31 December 2023: approximately 2.5). 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 balance the risk and opportunity in maximising Shareholders' value.

As at 30 June 2024, the share capital and equity attributable to owners of the Company amounted to approximately HK$11.4 million (31 December 2023: approximately HK$11.4 million) and approximately HK$297.6 million (31 December 2023: approximately HK$304.5 million), respectively.

Pledge of Assets and Restricted Bank Balances

As at 30 June 2024, no bank deposit (31 December 2023: approximately HK$0.2 million was pledged to a bank to secure a performance bond) was pledged to any bank. For details, please refer to note 15 to the condensed consolidated financial information of this announcement.

As at 30 June 2024, there were restricted bank balances of approximately HK$2.3 million (31 December 2023: approximately HK$1.7 million) which was due to legal disputes in the PRC. For details, please refer to notes 6, 12 and 15 to the condensed consolidated financial information of this announcement.

Contingent Liabilities and Capital Commitments

The Group did not have any contingent liabilities as at 30 June 2024. As at 31 December 2023, the Group had a contingent liability of approximately HK$1.7 million due to a legal dispute in PRC. For details, please refer to notes 6, 12 and 15 to the condensed consolidated financial information of this announcement.

The Group did not have any capital commitments as at 30 June 2024 and 31 December 2023.

Exposure to Fluctuations in Exchange Rates and Interest Rates and Corresponding Hedging Arrangements

The Group's bank borrowings as at 30 June 2024 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 the statistics released by CRIC (克而瑞), contract sales of 100 typical real estate enterprises in July 2024 fell by more than 35% compared with the previous month, and fell by around 20% compared with the same period last year. In terms of cumulative performance from January to July 2024, contract sales of the 100 typical real estate enterprises further fell by approximately 37.5%. The poor sales performance will further aggravate the financial position of the developers and credit risk exposure of the Group.

The Group has adopted prudent credit policies to deal with credit risk exposure. The Group performs continuous credit evaluations of the financial conditions of its 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 its clients, for some specific individual clients, credit period is considered on a 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 2024, trade receivables (in gross amount) was approximately HK$238.7 million (31 December 2023: approximately HK$227.9 million), while contract assets (in gross amount) was approximately HK$138.7 million (31 December 2023: approximately HK$114.6 million). The total trade receivables and contract assets (in gross amount) increased from approximately HK$342.5 million as at 31 December 2023 to approximately HK$377.4 million as at 30 June 2024. The increase in contract assets and trade receivables was mainly due to the i) persistent instability of the real estate sales market, which made the clients of the Group 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 2024, the accumulated allowance for credit losses was approximately HK$131.3 million (31 December 2023: approximately HK$126.3 million), among which the accumulated allowance for credit losses for trade receivables and contracts assets were approximately HK$87.0 million (31 December 2023: approximately HK$91.8 million) and HK$44.3 million (31 December 2023: approximately HK$34.4 million) respectively. The average loss rate was approximately 34.8% (31 December 2023: approximately 36.9%), among which the average loss rate for trade receivables and contract assets were approximately 36.4% (31 December 2023: approximately 40.3%) and 31.9% (31 December 2023: approximately 30.0%) respectively. Despite the increase in the overall accumulated allowance due to uncertainties in client settlement, the decrease in the average loss rate is attributed to the effective collection methods employed, which include taking legal actions and engaging external collections professionals to handle long aged trade receivables. As of the date of this announcement, approximately HK$33.7 million of the trade receivables as at 30 June 2024 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 believe that the impairment loss assessment on the trade receivables and contract assets as at 30 June 2024 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 prolonged. 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 its clients in response to the rapid changing market and business environment.

Risk Management

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

Events after the Reporting Period

There are no significant events subsequent to 30 June 2024 and up to the date of this announcement which may materially affect the Group's operating and financial performance.

Employees and Remuneration Policies

As at 30 June 2024, the Group had 399 (30 June 2023: 409) full-time employees. The total remuneration of the employees (including the Directors' remuneration) were approximately HK$82.2 million for the Period (Previous Period: approximately HK$87.8 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 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 2024.

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 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board resolved not to declare payment of any interim dividend for the Period.

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

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

CORPORATE GOVERNANCE

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

In the opinion of the Directors, the Company has complied, to the extend applicable and permissible with the code provisions as set out in the Corporate Governance Code under Part 2 of Appendix C1 to the Listing Rules during the Period.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors and employees (the "**Securities Code**") with standards no less exacting than that of the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 of the Listing Rules. Having made specific enquiries, all Directors and relevant employees of the Group confirmed that they have complied with the Securities Code and the Model Code during the Period.

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 HKICPA, whose unmodified review report for the Period is included in the interim report to be sent to the Shareholders.

The audit committee of the Board (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 Ms. Wang Wanjun, has reviewed and discussed with the management the Group's interim results for the Period and examined the unaudited condensed consolidated financial statements for the Period and this announcement. Members of the Audit Committee and BDO Limited agree with the accounting treatments adopted in the preparation of the unaudited condensed consolidated financial statements.

PUBLICATION OF INTERIM RESULT ANNOUNCEMENT AND INTERIM REPORT

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

APPRECIATION

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

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

Hong Kong, 29 August 2024

As at the date of this announcement, the executive Directors are Mr. Leung Chi Tien Steve, Mr. Siu Man Hei (Chief Executive Officer), Mr. Yip Kwok Hung Kevin (Chief Financial Officer) and Mr. Ding Chunya, the non-executive Directors are Mr. Xu Xingli (Chairman) and Mr. Ding Jingyong, and the independent non-executive Directors are Mr. Tsang Ho Ka Eugene, Mr. Liu Yi and Ms. Wang Wanjun.