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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2018 (Audited)	2017 (Audited)	% Change
Results:			
Profit for the year (HK$ million)	**58.0**	73.6	(21.2%)
Financial Information per Share:			
Earnings (HK Cents)			
– basic	**5.70**	8.45	(32.5%)
– diluted	**5.67**	8.45	(32.9%)
Net assets value per share (HK$) (Net assets/number of issued ordinary shares of the Company)	**0.43**	0.18	138.9%

Bank Balances and Cash:

As at 31 December 2018, the Group had bank balances and cash of approximately HK$284.2 million (Previous Year: approximately HK$154.9 million).

Final and Special Dividend:

The Board proposed a final dividend of HK2.50 cents per share and special dividend of HK2.50 cents per share for the year ended 31 December 2018.

ANNUAL 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 audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2018 (the "**Year**") together with the audited comparative figures for the corresponding year ended 31 December 2017 (the "**Previous Year**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	NOTES	**2018**	2017
		HK$'000	*HK$'000*
Revenue	*3*	**503,890**	434,822
Cost of sales		**(277,388)**	(221,757)
Gross profit		**226,502**	213,065
Other gains and losses	*5*	**4,707**	3,152
Impairment losses on trade receivables		**(1,388)**	(5,040)
Other income	*6*	**2,539**	1,926
Administrative expenses		**(129,811)**	(102,806)
Listing expense		**(13,412)**	(8,826)
Finance costs	*7*	**(916)**	(149)
Profit before taxation		**88,221**	101,322
Income tax expense	*8*	**(30,208)**	(27,763)
Profit for the year	*9*	**58,013**	73,559
Other comprehensive (expense) income that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(11,573)**	10,718
Total comprehensive income for the year		**46,440**	84,277

	NOTE	**2018**	2017
		HK$'000	*HK$'000*
Profit for the year attributable to:			
– Owners of the Company		**56,727**	72,251
– Non-controlling interests		**1,286**	1,308
		58,013	73,559
Total comprehensive income for the year attributable to:			
– Owners of the Company		**44,937**	82,694
– Non-controlling interests		**1,503**	1,583
		46,440	84,277
Earnings per share (expressed in Hong Kong cents)	*11*		
– Basic		**5.70**	8.45
– Diluted		**5.67**	8.45

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current Assets			
Property, plant and equipment		**24,315**	10,941
Intangible assets		**4,355**	4,025
Goodwill		**1,231**	1,290
Deposits paid for acquisition of property, plant and equipment		**3,769**	6,659
Rental deposits		**6,042**	3,292
Deferred tax assets		**11,797**	8,293
		51,509	34,500
Current Assets			
Inventories		**1,444**	1,384
Note receivables	12	**60,000**	–
Trade receivables	13	**145,342**	49,044
Other receivables, deposits and prepayments		**16,734**	23,448
Contract assets	14	**62,950**	–
Amounts due from customers for contract works		**–**	110,371
Tax recoverable		**–**	466
Pledged bank deposit		**–**	1,004
Bank balances and cash		**284,218**	154,910
		570,688	340,627
Current Liabilities			
Trade payables	15	**24,264**	8,963
Other payables and accrued charges	15	**58,098**	84,378
Dividend payable		**–**	35,000
Bank borrowings	16	**20,000**	8,000
Obligations under a finance lease		**223**	–
Contract liabilities	17	**20,316**	–
Amounts due to customers for contract works		**–**	5,334
Tax liabilities		**12,592**	26,151
		135,493	167,826
Net Current Assets		**435,195**	172,801
Total Assets less Current Liabilities		**486,704**	207,301

	NOTE	2018 HK$'000	2017 HK$'000
Capital and Reserves			
Share capital	*18*	**11,400**	–
Reserves		**465,011**	199,174
Equity attributable to owners of the Company		**476,411**	199,174
Non-controlling interests		**9,479**	7,976
Total Equity		**485,890**	207,150
Non-current Liabilities			
Deferred tax liabilities		**82**	151
Obligations under a finance lease		**732**	–
		814	151
		486,704	207,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND REORGANISATION

Steve Leung Design Group Limited (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 "**Listing Date**"). The Company's immediate holding company is Eagle Vision Development Limited, a limited liability company incorporated in the British Virgin Islands ("**BVI**"), whereas the Directors of the Company consider that the Company's ultimate holding company is Jangho Group Co., Ltd., a company incorporated in the People's Republic of China (the "**PRC**") with its shares listed on the Shanghai Stock Exchange.

Pursuant to the Reorganisation as set out in the section headed "History, Development and Reorganisation" in the Prospectus of the Company dated 22 June 2018 (the "**Prospectus**"), the Company and SLD Group Holdings Limited, a direct wholly-owned subsidiary of the Company, were interspersed between Steve Leung Designers Limited ("**SLD**") and its shareholders on 21 April 2017 by allotment and issue of shares in the Company. After that the Company became the holding company of the companies now comprising the Group. The Group comprising the Company and its subsidiaries resulting from this Reorganisation is regarded as a continuing entity.

The consolidated statement of profit or loss and other comprehensive income of the Group which include the results of the companies comprising the Group for the year ended 31 December 2017 have been prepared as if the Company had always been the holding company of the companies now comprising the Group and the current group structure had been in existence throughout the year ended 31 December 2017, or since their respective dates of incorporation or establishment, whichever is a shorter period.

The Company acts as an investment holding company and provides corporate management services.

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

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

2.1 *HKFRS 15 Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- service revenue from provision of interior design services, interior decorating and furnishing design services and product design services;

- license fee income from license arrangement; and

- trading income from sales of interior decorative products.

Information about the Group's performance obligations resulting from application of HKFRS 15 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2017**	**Reclassification**	**Carrying amounts under HKFRS 15 at 1 January 2018***
		HK$'000	*HK$'000*	*HK$'000*
Current Assets				
Trade receivables	*(a)*	49,044	55,366	104,410
Contract assets	*(a)*	–	55,005	55,005
Amounts due from customers for contract work	*(a)*	110,371	(110,371)	–
Current Liabilities				
Other payables and accrued charges	*(b)*	84,378	(12,331)	72,047
Contract liabilities	*(a) (b)*	–	17,665	17,665
Amounts due to customers for contract works	*(a)*	5,334	(5,334)	–

* The Group recognised the cumulative effect of initially applying HKFRS 15 as a reclassification to the opening balances as at 1 January 2018. The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

(a) In relation to design service contracts previously accounted for under HKAS 11, the Group continues to apply input method in estimating the performance obligations satisfied up to date of initial application of HKFRS 15. HK$55,005,000, HK$55,366,000 and HK$5,334,000 of amounts due from/to customers for contract work were reclassified to contract assets, trade receivables and contract liabilities, respectively.

(b) At the date of initial application, included in other payables and accrued charges are deposits received from customers for contract work amounted to HK$12,231,000 and advances received from customers for contract work amounted to HK$100,000. These balances were reclassified to contract liabilities upon application of HKFRS 15.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018. The application of HKFRS 15 has no material impact on the Group's consolidated statement of profit or loss and other comprehensive income. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	**Reclassification**	**Amounts without application of HKFRS 15**
	HK$'000	*HK$'000*	*HK$'000*
Current Assets			
Trade receivables	145,342	(68,047)	77,295
Contract assets	62,950	(62,950)	–
Amounts due from customers for contract works	–	130,997	130,997
Current Liabilities			
Other payables and accrued charges	58,098	17,819	75,917
Contract liabilities	20,316	(20,316)	–
Amounts due to customers for contract works	–	2,497	2,497

2.2 *HKFRS 9 Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and other items (for example, contract assets) and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement.*

Summary of effects arising from initial application of HKFRS 9

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all contract assets and trade receivables. Except for those which had been determined as credit impaired under HKAS 39, contract assets and trade receivables have been assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings based on their historical default rates which are adjusted for forward-looking estimates. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including other receivables, pledged bank deposits and bank balances, are assessed on 12-months ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised against retained profits.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for annual periods beginning on or after 1 January 2021.
[3] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
[4] Effective for annual periods beginning on or after a date to be determined.
[5] Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the Directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon the application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is a lessee. The application of HKFRS 16 will not result in any changes in classification of these assets.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$48,313,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$6,338,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amount of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements will result changes in measurement, presentation and disclosure as indicated above. The Group will elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group will elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. REVENUE

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

An analysis of the Group's revenue for the year ended 31 December 2018 and 31 December 2017 are as follows:

	2018	2017
	HK$'000	*HK$'000*
Service revenue	**397,736**	377,341
License fee revenue	**2,380**	2,174
Trading income	**103,774**	55,307
	503,890	434,822

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2018

	Interior design services	**Interior decorating and furnishing services**	**Product design services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Geographical markets				
Hong Kong	**45,168**	**2,716**	**–**	**47,884**
PRC	**298,512**	**116,157**	**2,447**	**417,116**
Other regions	**36,581**	**239**	**2,070**	**38,890**
	380,261	**119,112**	**4,517**	**503,890**
Timing of revenue recognition				
Over time				
Service revenue	**380,261**	**15,338**	**2,137**	**397,736**
At point in time				
License fee revenue	**–**	**–**	**2,380**	**2,380**
Trading income	**–**	**103,774**	**–**	**103,774**
	–	**103,774**	**2,380**	**106,154**
	380,261	**119,112**	**4,517**	**503,890**

The Group provides interior design services, interior decorating and furnishing design services and product design services to customers. Such services are recognised as a performance obligation satisfied over time as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation using input method.

The Group's service contracts include payment schedules which require stage payments over the design period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 10% to 20% of total contract sum, when the Group receives a deposit before design service commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

A contract asset, net of contract liability related to the same contract, is recognised over the period in which the design services are performed representing the Group's right to consideration for the services performed because the rights are conditioned on the Group's future performance in achieving specified milestones. The contract assets are transferred to trade receivables when the rights become unconditional upon meeting the billing milestones.

The Group sells interior decorative products and grant the right to use the Group's intellectual property to customers.

For trading of interior decorative products, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the specific location and confirmed by the customers. There is no credit period given on billing for trading of interior decorative products.

For license arrangement, revenue is recognised when the Group grant the right to use the Group's intellectual property. There is no credit period given on billing for license arrangement.

The expected timing of recognising revenue on transaction price related to the performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 is within one year. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. OPERATING SEGMENTS

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

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

1. Interior design services: Provision of interior design services

2. Interior decorating and furnishing services: Provision of interior decorating and furnishing design services and trading of interior decorative products

3. Product design services: Provision of product design service and license arrangement for product design services

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

Segment revenue and results

	Interior design services *HK$'000*	**Interior decorating and furnishing services** *HK$'000*	**Product design services** *HK$'000*	**Total** *HK$'000*
For the year ended 31 December 2018				
Revenue				
Segment revenue from external customers	**380,261**	**119,112**	**4,517**	**503,890**
Results				
Segment results	**80,261**	**22,474**	**414**	**103,149**
Interest income				**1,555**
Depreciation of property, plant and equipment				**(2,796)**
Loss on disposals of property, plant and equipment				**(275)**
Listing expense				**(13,412)**
Profit before taxation				**88,221**

	Interior design services *HK$'000*	Interior decorating and furnishing services *HK$'000*	Product design services *HK$'000*	Total *HK$'000*
For the year ended 31 December 2017				
Revenue				
Segment revenue from external customers	360,478	70,700	3,644	434,822
Results				
Segment results	103,242	6,883	1,862	111,987
Unallocated income				69
Interest income				585
Depreciation of property, plant and equipment				(2,461)
Loss on disposals of property, plant and equipment				(32)
Listing expense				(8,826)
Profit before taxation				101,322

Note: There is no inter-segment revenue for both years.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of certain unallocated income, interest income, certain depreciation of property, plant and equipment, loss on disposals of property, plant and equipment and listing expense. This is the measure reported to the CODMs for the purposes of resource allocation and performance assessment.

The CODMs make decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODMs do not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Other segment information

For the year ended 31 December 2018

	Interior design services *HK$'000*	**Total** *HK$'000*
Amounts included in the measure of segment results:		
Amortisation of intangible assets	**1,047**	**1,047**
Depreciation of property, plant and equipment	**4,622**	**4,622**
Impairment losses on trade receivables	**1,388**	**1,388**

For the year ended 31 December 2017

	Interior design services *HK$'000*	Total *HK$'000*
Amounts included in the measure of segment results:		
Amortisation of intangible assets	1,984	1,984
Depreciation of property, plant and equipment	3,466	3,466
Impairment losses on trade receivables	5,040	5,040

Geographical information

The Group's revenue from external customers is mainly derived from customers located in Hong Kong and the PRC, which is determined based on the location of projects.

	2018 *HK$'000*	2017 *HK$'000*
External revenue:		
Hong Kong	**47,884**	37,531
PRC	**417,116**	374,845
Other regions	**38,890**	22,446
	503,890	434,822

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

	2018	2017
	HK$'000	*HK$'000*
PRC	**21,611**	8,808
Hong Kong	**18,101**	17,399
	39,712	26,207

Note: Non-current assets excluded deferred tax assets.

Information about major customers

During the year ended 31 December 2018 and 2017, none of the Group's single customer attributed to more than 10% of the Group's total external revenue.

5. OTHER GAINS AND LOSSES

	2018	2017
	HK$'000	*HK$'000*
Exchange gain, net	**4,982**	3,184
Loss on disposals of property, plant and equipment	**(275)**	(32)
	4,707	3,152

6. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Disbursement from customers	**–**	215
Grants received from local government	**687**	494
Interest income from bank deposits	**1,146**	585
Interest income from note receivables	**409**	–
Miscellaneous income	**297**	632
	2,539	1,926

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank borrowings	**903**	149
Interest on the obligations of a finance lease	**13**	–
	916	149

8. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**–**	8,102
PRC Enterprise Income Tax	**33,696**	18,078
	33,696	26,180
Withholding tax	**–**	1,655
Underprovision in prior years:		
Hong Kong Profits Tax	**303**	2,100
PRC Enterprise Income Tax	**–**	28
	303	2,128
Deferred taxation	**(3,791)**	(2,200)
	30,208	27,763

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

The EIT Law requires withholding tax to be levied on distribution of profits earned by PRC entities for profits generated after 1 January 2008 at rate of 5% for Hong Kong resident companies, which are the beneficial owners of the dividend received.

The income tax expense for the year can be reconciled from the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	HK$'000	*HK$'000*
Profit before taxation	**88,221**	101,323
Tax at applicable tax rate of 16.5%	**14,556**	16,718
Tax effect of expenses not deductible for tax purpose	**2,637**	1,541
Tax effect of tax loss not recognised	**5**	–
Utilisation of tax losses previously not recognised	**–**	(42)
Effect of different tax rate of the PRC subsidiaries operating in other jurisdiction	**12,716**	5,754
Underprovision in prior years	**303**	2,128
Withholding tax for distributable earnings of the PRC subsidiaries	**–**	1,655
Others	**(9)**	9
Income tax expense for the year	**30,208**	27,763

9. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2018	2017
	HK$'000	*HK$'000*
Amortisation of intangible assets		
– included in cost of sales	**627**	1,776
– included in administrative expenses	**420**	207
	1,047	1,983
Auditors' remunerations	**1,280**	583
Cost of inventories recognised as an expense	**67,395**	44,275
Depreciation of property, plant and equipment	**7,418**	5,927
Staff costs:		
Directors' emoluments	**16,904**	14,115
Other staffs		
– basic salaries, allowances and other benefits	**145,049**	112,071
– discretionary bonus	**18,436**	22,419
– retirement benefits scheme contributions	**20,971**	18,252
– expense recognised in respect of Loyalty Incentive Scheme	**982**	1,876
– expense recognised in respect of Conversion Scheme and share options scheme	**1,662**	1,016
	187,100	155,634
	204,004	169,749
Operating lease rental paid in respect of rented properties	**26,510**	16,662
Operating lease rental paid in respect of rented office equipment	**858**	1,381

10. DIVIDEND

	2018	2017
	HK$'000	*HK$'000*
Dividends recognised as distributions during the year:		
SLD *(Note)*	**–**	70,000
The Company – 2017 interim dividend HK$30,000 per share	**–**	30,000
	–	100,000

Note: The rate of dividend and the number of shares ranking for the above dividends are not presented as such information is not meaningful having regard to the purpose of these consolidated financial statements.

Included in the dividend payable in the consolidated statement of financial position as at 31 December 2017 is an amount of HK$24,500,000 payable by SLD to the shareholders on the register of members of SLD on 31 December 2016 and an amount of HK$10,500,000 payable by the Company to its shareholders.

No dividends were paid, declared or proposed during the year ended 31 December 2018. Subsequent to the end of the reporting period, a final dividend of HK2.50 cents per share and a special dividend of HK2.50 cents per share in respect of the year ended 31 December 2018, amounting to HK$57,000,000 in aggregate, was proposed by the directors of the Company and is subject to the approval of the shareholders at the forthcoming annual general meeting ("**AGM**").

11. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**56,727**	72,253
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**995,547,945**	855,000,000
Effect of dilutive potential ordinary shares in respect of outstanding share options	**4,793,428**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,000,341,373**	855,000,000

The calculation of basic earnings per share is based on assumption that the reorganisation and the capitalisation issue as detailed in the Prospectus had been effective on 1 January 2017.

No diluted earnings per share for the year ended 31 December 2017 was presented as there were no potential ordinary shares in issue for the year ended 31 December 2017.

12. NOTE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Fixed-rate note receivables	**60,000**	–

During the Year, the Group subscribed for two short term notes with a fixed interest rate of 6.00% per annum from an independent third party. The first short term note of HK$30,000,000 and the second short term note of HK$30,000,000 will be matured on 21 April 2019 and 17 June 2019, respectively. As at 31 December 2018, these note receivables are measured at amortised cost using the effective interest method, less any impairment and guaranteed by a director who is one of the shareholders of the issuer of the notes.

As at 31 December 2018, the Group's note receivables are not past due as at the reporting date. The Directors of the Company are in the view that there have been no significant increase in credit risk nor default. No impairment loss is recognised for the year ended 31 December 2018.

As at 31 December 2018, the Group does not hold any collateral on the note receivables nor pledged as security for the borrowing.

13. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**159,617**	62,336
Less: allowance for credit losses/doubtful debts	**(14,275)**	(13,292)
	145,342	49,044

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers under HKFRS 15 amounted to HK$145,342,000 and HK$104,410,000 respectively.

Included in the carrying amount of trade receivables as at 31 December 2018 is an amount of HK$12,573,000 (Previous Year: nil) due from a related party controlled by a controlling shareholder of the Company.

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

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**103,083**	14,513
31 to 90 days	**15,368**	13,866
91 to 180 days	**7,993**	8,937
Over 180 days	**18,898**	11,728
	145,342	49,044

There is no credit period given on billing for its interior design services, interior decorating and furnishing design services and product design services, license arrangement of interior design services and product design services, and trading of interior decorative products.

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$145,342,000 which are past due as at the reporting date. Out of the past due balances, HK$26,891,000 has been past due more than 90 days and is not considered as in default since the amounts are still considered as recoverable based on historical experience and forward-looking estimates. The Group does not hold any collateral over these balances.

As at 31 December 2017, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$49,044,000, which are past due but not impaired at the end of the reporting period for which the Group has not provided for impairment loss since the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances. The average age of these receivables is 180 days.

Ageing of trade receivables which are past due but not impaired

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**103,083**	14,513
31 to 90 days	**15,368**	13,866
91 to 180 days	**7,993**	8,937
Over 180 days	**18,898**	11,728
	145,342	49,044

14. CONTRACT ASSETS

	At 31 December 2018	At 1 January 2018
	HK$'000	*HK$'000* *(Note)*
Contract assets		
Interior design services	**59,474**	50,102
Interior decorating and furnishing design services	**2,978**	4,903
Product design services	**498**	–
	62,950	55,005

Note: The amounts in this column are after the adjustments from the application of HKFRS 15.

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 achieving specified milestones at the reporting date on the design services. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer contract assets to trade receivables upon achieving the specified milestones in the contracts.

Included in the carrying amount of contract assets as at 31 December 2018 is an amount of HK$10,831,000 (Previous Year: nil) from a related party controlled by a controlling shareholder of the Company.

The Group's design services include payment schedules which require stage payments over the design period once certain specified milestones are reached. The Group requires certain customers to provide upfront deposits range from 10% to 20% of total contract sum as part of its credit risk management policies.

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

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

15. 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:

	2018	2017
	HK$'000	*HK$'000*
0 to 180 days	**21,128**	7,557
Over 180 days	**3,136**	1,406
	24,264	8,963

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

	2018	2017
	HK$'000	*HK$'000*
Accrued staff benefits	**30,851**	38,572
Deposits received from customers	**16,018**	32,537
Liability associated with long-term employee benefits	**4,905**	5,372
Other payables and accrued charges	**6,324**	5,745
Listing expense and issue costs payable	**–**	2,052
Receipts in advance	**–**	100
	58,098	84,378

16. BANK BORROWINGS

	2018	2017
	HK$'000	*HK$'000*
Revolving loans	**20,000**	8,000

As at 31 December 2018, the Group has a variable rate borrowing, which is unsecured (Previous Year: secured), bears interest at 3.5% (Previous Year: 3.0%) over Hong Kong Interbank Offered Rate per annum and the interest is repriced every month and repayable within one year. As at 31 December 2018, the average effective interest rate (which is equal to contracted interest rate) on the Group's bank loan is 5.95% per annum (Previous Year: 4.24% per annum). The loan is guaranteed by the Company.

As at 31 December 2017, the Group's bank loan was secured by floating charge over all receivables of certain subsidiaries and pledged bank deposit as detailed in the note 19 and guaranteed by the immediate holding Company and a non-controlling shareholder of the Company.

17. CONTRACT LIABILITIES

	At 31 December 2018	At 1 January 2018
	HK$'000	*HK$'000*
		(Note)
Contract liabilities		
Interior design services	**5,433**	8,129
Interior decorating and furnishing design services	**14,883**	9,536
	20,316	17,665

Note: The amounts in this column are after the adjustments from the application of HKFRS 15.

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

Movements in contract liabilities:

	HK$'000
Balance at the beginning of the year	17,665
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(14,551)
Increase in contract liabilities as a result of receiving deposits from the customers	17,365
Exchange realignments	(163)
Balance at the end of the year	20,316

When the Group receives a deposit before the design services commence, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

18. SHARE CAPITAL

Share capital of the Group at 1 January 2017 represents the aggregate paid up capital of the Company and SLD, which became an indirect wholly-owned subsidiary of the Company on 21 April 2017 pursuant to the Reorganisation as detailed in the Prospectus.

Share capital of the Group as at 31 December 2018 and 31 December 2017 represents share capital of the Company.

	Number of shares	***HK$***
Ordinary share of the Company of HK$0.01 each		
Authorised		
At 1 January 2017 and 31 December 2017	39,000,000	390,000
Increase on 11 June 2018 *(Note (a))*	3,961,000,000	39,610,000
At 31 December 2018	**4,000,000,000**	**40,000,000**
Issued and fully paid		
At 1 January 2017	100	1
Issued on 21 April 2017 for acquisition of SLD	900	9
At 31 December 2017	1,000	10
Capitalisation issue *(Note (b))*	854,999,000	8,549,990
Issue of shares *(Note (c))*	285,000,000	2,850,000
At 31 December 2018	**1,140,000,000**	**11,400,000**

Notes:

(a) On 11 June 2018, the authorised share capital of the Company was increased from HK$390,000 divided into 39,000,000 shares of par value HK$0.01 each to HK$40,000,000 divided into 4,000,000,000 shares of par value HK$0.01 each, by the creation of 3,961,000,000 shares of par value HK$0.01 each.

(b) On 5 July 2018, the Company capitalised HK$8,550,000 standing to the credit of share premium of the Company and applied such amount in paying up in full 854,999,000 shares of the Company for allotment. The new shares rank pari passu in all respects with the issued ordinary shares of the Company.

(c) On 5 July 2018, 285,000,000 ordinary share of the Company were issued at a price of HK$0.88 by way of initial public offering. Those shares rank pari passu with the existing ordinary shares of the Company. On the same date, the Company's shares were listed on the Stock Exchange. The proceeds of HK$2,850,000 and HK$247,950,000, (net of transaction cost amounting to HK$20,977,000), were credited to the Company's share capital and share premium, respectively.

19. PLEDGE OF ASSETS

As at 31 December 2017, the Group's bank borrowings are secured by the floating charge over all receivables of certain subsidiaries and pledged bank deposit of HK$1,004,000.

20. CAPITAL COMMITMENTS

	2018	2017
	HK$'000	*HK$'000*
Capital expenditures in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**1,713**	6,222

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

During this challenging year, the Group has expanded its core interior design business, as well as interior decorating and furnishing and product design businesses. As an internationally-renowned award-winning interior design services and interior decorating and furnishing services provider, the Group aims to customise distinctive interior design, interior decorating and furnishing and product design for its clients guided by a professional approach and creative ideas. Despite the volatile market right after the Company's listing, the Group still manage to achieve satisfactory results for the Year.

Overall Performance

The Group has recorded revenue of approximately HK$503.9 million during the Year (Previous Year: HK$434.8 million), with a gross profit of approximately HK$226.5 million (Previous Year: HK$213.1 million) and gross profit margin of approximately 44.9% (Previous Year: 49.0%).

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

	2018					2017				
	Revenue from Interior Design Services *HK$ million*	**Revenue from Interior Decorating and Furnishing Services** *HK$ million*	**Revenue from Product Design Services** *HK$ million*	**Total** *HK$ million*	**% of total revenue**	Revenue from Interior Design Services *HK$ million*	Revenue from Interior Decorating and Furnishing Services *HK$ million*	Revenue from Product Design Services *HK$ million*	Total *HK$ million*	% of total revenue
Residential project	**220.7**	**106.2**	**–**	**326.9**	**64.9**	245.1	63.5	–	308.6	71.0
Private residence project	**53.3**	**1.4**	**–**	**54.7**	**10.9**	35.9	1.2	–	37.1	8.6
Hospitality	**51.3**	**9.6**	**–**	**60.9**	**12.1**	45.3	2.7	–	48.0	11.1
Commercial project	**31.5**	**0.6**	**–**	**32.1**	**6.3**	24.5	1.3	–	25.8	5.9
Others	**23.5**	**1.3**	**4.5**	**29.3**	**5.8**	9.7	2.0	3.6	15.3	3.4
Total	**380.3**	**119.1**	**4.5**	**503.9**	**100**	360.5	70.7	3.6	434.8	100

Net profit for the Year was approximately HK$58.0 million (Previous Year: HK$73.6 million). Basic earnings per share for the Year was approximately HK5.70 cents (Previous Year: HK8.45 cents). The Board recommended a final dividend of HK2.50 cents per share and a special dividend of HK2.50 cents per share for the Year.

As at 31 December 2018, the Group's total assets were valued at approximately HK$622.2 million (Previous Year: HK$375.1 million), of which current assets were approximately HK$570.7 million (Previous Year: HK$340.6 million), being 4.21 times of the current liabilities. Equity attributable to the owners of the Company was approximately HK$476.4 million (Previous Year: HK$199.2 million).

Market and Business Review

Overview

During the Year, trade friction between the PRC and US escalated, Brexit has continued to be a cliffhanger and regulatory control on the PRC property market persisted, all of these have led to volatility in the global economy and tensions over the capital markets in the PRC. In addition, domestic investments in property market and development tended to be more conservative during the Year, thus the overall number of projects under tendering and property development projects decreased. Some of the on-going projects were even suspended or terminated due to the market atmosphere and financing difficulties.

In fact, project completion and the overall areas available for sale in the PRC property market have considerably deviated from the norm. As a participant of the property development industry, the Group's business, which heavily relied on the PRC property market, was compressed during the Year.

However, the Group has strived to overcome the downturn in the business environment by implementing its expansion plans as promised right after the Company's listing in July 2018. The Group has enhanced its interior design services and developed specialised design services, further expanded its interior decorating and furnishing services, as well as proactively widened its revenue sources to diminish the impact from the current volatile PRC property market and limit the possible downside risk. Particularly and noteworthily, the Group has moved its Beijing and Shanghai offices to enlarged new premises, expanded its professional teams with newly joined talented designers and cooperated with external professionals to further equip its internal research and design teams with specialised design capabilities. This included forging work relationships with International WELL Building Institute (IWBI) to enrich the wellness design knowledge of our design teams, as well as emphasising the Group's obligation on social responsibility in environmentally-friendly design and operation in order to create healthy and sustainable living standards. A marketing department has also been established to enhance brand diversification and develop corresponding marketing strategies. Moreover, the Group has extended its projects to hospitality, elderly and wellness designs etc. It has also exerted additional effort on promotion in the international market to consolidate its leading position in the interior design industry, preparing well to seize potential future opportunities.

Despite the unfavourable investment sentiment and volatile external environment, with the management's faith in "taking measures to repair the house before it rains", the Group's revenue during the Year was satisfactory, amounting to approximately HK$503.9 million, representing a 15.9% growth as compared to the Previous Year.

However, accounting for several expenses incurred for listing, recruiting additional staff and expanding offices, etc., the revenue growth of the Group had lagged behind its expectations, and the overall profit for the Year was approximately HK$58.0 million (Previous Year: HK$73.6 million), representing a 21.2% decrease in profit for the Year. We believe all of the dedicated efforts can pave the way for the Group's long-term sustainable development, and will be paid off in the near future.

Interior Design Services

The interior design services segment is the core and primary business of the Group, which encompasses the provision of service for interior design concept generation, detailed interior design and the provision of rendering.

The Group has over 20 design teams engaged in interior design services for residential, private residence, hospitality projects, etc. Through in-depth communications with our clients and necessary site visits, and guided by a professional approach and "people-oriented" principles, our designers and their teams would, customise concept design proposals which consider aesthetics, comfort and functionality, and formulate an impressive interior design proposal after understanding and considering clients' views and comments.

During the Year, the interior design segment continues to be the core business and main source of revenue of the Group, achieving revenue of approximately HK$380.3 million (Previous Year: HK$360.5 million), accounting for approximately 75.5% (Previous Year: 82.9%) of the total revenue.

Due to the volatile environment of the PRC and property market, the newly awarded contract sum decreased by 17.0% to HK$370.4 million during the Year (Previous Year: HK$446.3 million). While this amount has decreased, the Group's efforts still were viewed favourably by a number of major developers as it was awarded a number of large-scaled projects, e.g. a large-scale hotel project located at Cotai Macau, Residential Development at NKIL No. 6562 & 6533, Lung Cheung Road, Beacon Hill, Kowloon, Sanlorenzo Yacht SX88, Zengcheng Development of New World China Land Limited, Guangzhou (新世界增城綜合發展項目)、Guangzhou Jianhua Center Project (廣州建華中心項目)、China Resources Residential Project Along Huangpu River, Shanghai (上海華潤黃浦江沿岸住宅項目)、Beijing Senior Living (北京大愛書院養老公館項目)、Chongqing Financial Street Lijia Residential Project (重慶金融街禮嘉住宅項目), etc.. The Group has also successfully built a solid long-term cooperation relationships with clients through entering into strategic partnerships, which further enhance these relationships. Up to this announcement date, approximately 74.5% (Previous Year: 57.3%) newly awarded contracts are from our recurring clients.

As a major player in the interior design segment, the Group has maintained a healthy growth in interior design for the residential sector even though the percentage contribution within the Group has decreasing by 6.1% to 64.9% during the Year (Previous Year: 71.0%). In order to mitigate the risk from the regulatory control on the property market and aligning with the progress of urbanisation in the PRC, the Group is embarking on diversification shifting from the market of first-tier cities to second- and third-tier cities in the PRC during the Year. The ratio of newly awarded contract sum from the (i) first-, (ii) second- and (iii) third- to fourth-tier cities changed approximately from 39%, 51% and 10% respectively in 2017 to 38%, 37% and 25% respectively in 2018, enabling the Group to cultivate a wider geographic market.

The Group has also enhanced its business diversification strategy through expanding its scale of services and revenue sources to other sectors of the interior design service segment to reduce the reliance on the residential sector. The Group extended the participation to the interior design services to hospitality and private residence projects, which occupied the second and third largest business sectors within the segment. For the purpose of further enhancing its participation and corporate identity in the private residence and hospitality sectors, the Group has established individual design brands, Steve Leung Casa " SL C " and Steve Leung Hospitality "SL H", aiming to provide a more focused and customised services to our clients.

Even though there has recently been a downturn in the property market in Hong Kong and the PRC, the Group is still focusing on the high-end interior design market. Limited supply of high-end and luxury properties has spurred a steady demand on such properties. It is believed that the high-end market is relatively risk adverse and will not be seriously affected by the general property market environment. Besides, buyers of high-end and luxury properties also have a stronger desire for quality and stylish interior design and are willing to pay for a comfortable and prestigious living environment. In light of the above, the Group believes that there is potential in this private residence sector and has already spun off a team of designers, specialising in this particular sector. The revenue contribution to the Group from this sector was approximately 10.9% (Previous Year: 8.6%) of the total revenue.

Regarding the interior design for hospitality sector, there is a great number of high-end gourmet restaurants in Hong Kong, as more gourmet groups are willing to invest in interior design in order to create a better dining experience and promote branding and grading. In the PRC, in the wake of increasing disposable income and consumption, the demand for high-end dining is escalating and the Group believes this sector will become a focus of the Group's future expansion.

With extensive experience and an outstanding professional reputation, the Group's hospitality design projects won several design awards during the Year. Japanese Cuisine restaurant "Ta-ke" received several international interior design awards during the Year, including the Winner of Fine Dining Category at Interior Design US Best of Year Awards and Winner of Food Space at Asia Pacific Interior Design Awards (APIDA). Modern Chinese cuisine restaurant "HEXA" was also an award winner of Restaurants, Lounges & Bars from IIDA Best of Asia Pacific Design Awards. These accolades have enhanced the Group's reputation and position in the hospitality design sector. The Group has also engaged in a large-scale hotel project in Sanya, mainly responsible for designing the lobby, public areas and hotel rooms.

As part of the diversification strategy, the Group realises the potential in the elderly and wellness design sector is also considerable. According to the "Development of Chinese Old-age Care Industry White Paper"(《中國養老產業發展白皮書》) produced by the Chinese Academy of Social Sciences (中國社科院) in 2016, the elderly care industry scale was expected to reach RMB13 trillion in 2030, reflecting the huge potential of the market. Conforming to the trends of providing the elderly with a sense of security and pursuit of a healthy lifestyle, the Group has been proactively exploring elderly and wellness facilities projects in recent years. During the Year, the Group cooperated with China Merchants Group (招商局), China Taiping (中國太平), etc. for elderly property interior design projects. The Group was also invited to join a sizable health and medical integrated project in Beijing, responsible for the interior design and interior decoration and furnishing of its medical and health center, elderly apartment, community hall, clubhouse, etc. Although the elderly facilities design sector is new to the Group, it has accumulated experience in this specialised design sector. Its elderly facilities project undertaken in collaboration with China Merchants Group in Hangzhou was selected as the finalist in the "Best Elderly Fit Interior Design" at the Asia Pacific Eldercare Innovation Awards.

Interior Decorating and Furnishing Services

For the purpose of creating and expressing optimal effect and being an important part of the Group's interior designs, the use of furniture, fixtures and accessories (FF&A) in furnishing the functional space are essential elements. The design, procurement and decorating services of these elements comprise the interior decorating and furnishing services of the Group.

In fact, the interior decorating and furnishing services of the Group were first started as a value-added service offered as part of its interior design services. As the market demand for this service is growing rapidly, the Group has set up a new brand, Steve Leung Lifestyle "SL L", and teams for this segment since 2016. This segment has tremendous potential demonstrated by a doubling of its revenue contribution to the Group during the Year.

Urbanisation is the major driver for economic growth in the PRC in recent years, and the consumption capabilities of Chinese citizens has accelerated along with the progress of urbanisation. According to National Bureau of Statistics of China (國家統計局), in 2018, average disposable income was RMB28,228, while for citizens living in urban areas it reached RMB39,251. Both figures rose nearly 8% from a year earlier, indicating the acceleration of citizens' consumption capability. Urbanisation in second- and third-tier cities is rising rapidly, and the huge and growing population in these cities had an increasing demand in quality life. In accordance with "2018 Chinese Residential Decoration and Design Trend White Paper" (《2018年中國家居整裝設計趨勢白皮書》) introduced by Tencent Living (騰訊家居), 39.6% respondents chose "fully-furnished and ready-to-live" as their preference for their home furnishing and design, indicating almost 40% of Chinese citizens tended to have their new homes fully-furnished from design and selection of materials to construction before moving in. Also, most of the regions had high standards for aesthetics with the introduction of the "soft city" concept in the PRC. This is ushering in an era pursuing quality of life and decorative aestheticism, thus the interior decorating and furnishing business is a rising market. Chuancai Securities Institute (川財研究所) which forecasted the scale of the residential interior design and furnishing market would reach RMB1.48 trillion in 2020, among which the scale of newly-built, second-hand and renovative residential markets would be approximately RMB864 billion, RMB474.4 billion and RMB144.5 billion respectively. Hence, the interior decorating and furnishing services market is not just huge but also expanding continuously.

This segment has demonstrated perfectly the Group's overall services by complementing its interior design services and realising synergies, and serve our client with one-stop services and assuring quality of design service. The interior decorating and furnishing service segment has performed well and recorded a remarkable result during the Year. The revenue from this segment increased from HK$70.7 million to HK$119.1 million, representing a growth of 68.5%.

The market demand for interior decorating and furnishing services is expected to increase continuously. Such demand will effectively promote the long-term growth in interior decorating and furnishing service which is becoming one of the key businesses and operations of the Group. The Group will expand the interior decorating and furnishing business towards international fully-furnished residential properties, private residences and hospitality projects, aiming at cultivating this segment to be one of the major source of revenue.

For the purpose of further sustaining its development on interior decorating and furnishing the services segment, apart from recruiting design talent and raising its design efficiency, the Group is enhancing its information technology system, and has compiled a specified FF&A catalogue and devised a procurement system. These efforts have accelerated the working cycle and streamlined the operation flow.

Product Design Services

The appearance, material and texture of products and furniture act as essential elements in elevating the overall interior design and interior decorating and furnishing layout. The Group is currently engaged in product design services and has participated in the design of furniture, sanitary products and kitchen cabinets as well as collaboration with international renowned brands. Although the product design segment is not the main revenue source of the Group, it is nonetheless an important channel for the Group's branding and marketing strategies.

Furniture designed by the Group has a well-earned reputation and has garnered design awards during the Year, including the Gold Award of Living Room Category at the China Furniture Product Innovation Awards 2018, Winner of Product Design at the Iconic Awards: Innovative Architecture, and Silver A' Design Award in the Building Materials, Construction Components, Structures & Systems Design Category at the A' Design Award & Competition. During the Year, the product design services segment continued to perform steadily, boosting its popularity and building up the brand image of the Group.

Awards and Accreditations for Year 2018

Apart from those awards mentioned above, the Group won numerous prestigious awards over the years. Our interior design projects, product design projects and the corporate performance has continuously delivered award-winning quality.

Corporate Honours:

Dragon Design Foundation Award
China Interior Design Industry Promotion Award

Robb Report Best of the Best Award
Designer of the Year

China National Interior Decoration Association
China Top 10 Interior Design Organizations
China Interior Design Industry Outstanding Contribution Award

Interior Design Magazine "2018 Top 100 Giants Research"
Top 1 position in "Residential Category"
Top 21 position in overall global rankings

Quality Building Award 2018
Merit Award in "Hong Kong Residential (Multiple Buildings) Category"
– The Tanner Hill, Hong Kong

Guangzhou Design Week – 2018 Chinese Design Celebrity
Chinese Design Celebrity of the Year

Interior Design Awards:

IIDA Best of Asia Pacific Design Awards
Winner – Restaurants, Lounges & Bars – HEXA

Interior Design Best of Year Awards
Winner – Fine Dining Category – Ta-ke

Asia Pacific Interior Design Awards
Gold – Food Space – HEXA
Silver – Food Space – Ta-ke

a&d Trophy Awards
Best of Category – Best Bar & Restaurant – Ta-ke
Certificate of Excellence – Best Bar & Restaurant – HEXA
Certificate of Excellence – Best Public Space – Steve Leung's Prototype Room at Easyhome Top Design Centre, Tianjin

Gold Key Awards for Excellence in Hospitality Design
Finalist – Best Restaurant Fine Dining – Ta-ke

Iconic Awards: Innovative Architecture
Best of Best – Interior Design – Ta-ke
Winner – Interior Design – Steve Leung's Prototype Room at Easyhome Top Design Centre, Tianjin

Asia Pacific Eldercare Innovation Awards
Finalist – Best Silver Interior Design (Project size above 20,000sqm) – Senior Apartment at Banshan Tianyuan, Hangzhou

Product Design Awards:

China Furniture Product Innovation Awards 2018
Gold Award – Living Room Category – HC28 Cosmopolitan UOVO

Iconic Awards: Innovative Architecture
Winner – Product Design – Fusital H377 Serie SL Duemilasedici

A' Design Award & Competition
Silver A' Design Award – Building Materials, Construction Components, Structures & Systems Design Category – Fusital H377 Serie SL Duemilasedici

Financial Review

Revenue and Gross Profit

During the Year, the Group's revenue increased by HK$69.1 million or 15.9% to HK$503.9 million (Previous Year: HK$434.8 million). The increase is attributed to the prompt conversion of projects on hand to revenue, which follows the expansion of the Group's interior design team. The revenue from interior decorating and furnishing services segment increased from HK$70.7 million during the Previous Year to HK$119.1 million during the Year, representing 16.3% and 23.6% of the total revenue respectively. While the revenue from our interior design services segment slightly increase from HK$360.5 million to HK$380.3 million, representing 82.9% and 75.5% of the total revenue respectively.

Gross Profit by Segment

	2018			2017		
	Revenue *HK$ million*	**Gross profit** *HK$ million*	**Gross profit margin** %	Revenue *HK$ million*	Gross profit *HK$ million*	Gross profit margin %
Interior Design Services	**380.3**	**191.9**	**50.5**	360.5	198.9	55.2
Interior Decorating & Furnishing Services	**119.1**	**34.2**	**28.7**	70.7	12.3	17.3
Product Design Services	**4.5**	**0.4**	**8.9**	3.6	1.9	52.8
Overall	**503.9**	**226.5**	**44.9**	434.8	213.1	49.0

The Group's gross profit slightly increased by HK$13.4 million or 6.3% to HK$226.5 million (Previous Year: HK$213.1 million), while gross profit margin slightly decreased to 44.9% (Previous Year: 49.0%). The decline was primarily due to an increase in average salaries and continuing rise in contributions from the interior decorating and furnishing services segment.

The interior decorating and furnishing services segment consist of the provision of interior design services and trading of interior decorative products, both of which are currently under development. The gross profit margin of trading of interior decorative products is, however, usually lower than that of service income. Therefore, the change in revenue mix during the Year further contributed to the decline in gross profit margin.

Remaining Contract Sum Movement

	Interior Design Services *HK$ million*	Interior Decorating and Furnishing Services *HK$ million*	Total *HK$ million*
Remaining contract sum carry as at beginning of 2017	**363.1**	**44.4**	**407.5**
Add: New contract sum awarded during the year	446.3	77.2	523.5
Less: Revenue recognized during the year	(360.5)	(70.7)	(431.2)
Less: Purchase made	–	(8.7)	(8.7)
(Less)/Add: Variation order	(83.8)	9.2	(74.6)
Add: Exchange realignment	3.5	2.6	6.1
Remaining contract sum as at 31 December 2017	**368.6**	**54.0**	**422.6**
Add: New contract sum awarded during the year	370.4	138.8	509.2
Less: Revenue recognized during the year	(380.3)	(119.1)	(499.4)
Less: Purchase made	–	(2.0)	(2.0)
(Less)/Add: Variation order	(63.4)	11.1	(52.3)
Add/(Less): Exchange realignment	11.4	(3.4)	8
Remaining contract sum as at 31 December 2018	**306.7**	**79.4**	**386.1**

Due to the prompt conversion of contract sum to revenue subsequent to our expansion plan and the newly awarded contract sum during the Year was reduced, the remaining contract sum for the interior design services reduced from HK$368.6 million as at 31 December 2017 to HK$306.7 million as at the current year end, while the remaining contract sum from the interior decorating and furnishing services increased from HK$54.0 million as at 31 December 2017 to HK$79.4 million as at the current year end.

Other gains and losses

The Group recorded other gains and losses of HK$4.7 million for the Year (Previous Year: other losses of HK$3.2 million), which were primarily derived from an exchange gain resulting from the realisation of exchange difference from settlement of Renminbi transactions during the Year.

Other income

The other income represents the interest income from bank deposit and note receivables and government grant. The increase from HK$1.9 million to HK$2.5 million during the Year was mainly contributed from the increase in PRC government grant and the interest income from bank deposit and note receivables during the Year.

Administrative expenses

The Group's administrative expenses increased from HK$102.8 million to HK$129.8 million representing an increase of 26.3% during the Year. Other than the increase in the average salaries of the Group, as a result of our expansion strategy, the increase in administrative expenses were also due to the increase in rental expenses, average headcount and marketing expenses during the Year.

Finance costs

The finance costs are arising from the bank borrowings for financing our equity capital raising expenses. The increase in finance costs was due to the increase in average bank borrowings during the Year. The bank borrowings for financing our equity capital raising expenses were fully repaid in January 2019.

Profit for the year

The Group's profit for the year amounted to HK$58.0 million (Previous Year: HK$73.6 million), representing a decrease of HK$15.6 million or 21.2%, and was the result of an increase in revenue, decrease in gross profit margin and increase in several expenses as abovementioned.

Basic earnings per share

The Company's basic earnings per share for the Year was HK5.70 cents (Previous Year: HK8.45 cents), decreased by HK2.75 cents or 32.5% and was in line with the decrease in profit for the Year. In addition, the basic earnings per share for the Year was calculated based on the weighted average number of 995,547,945 shares in issue during the Year, whilst basic earnings per share for the Previous Year was calculated based on the weighted average number of 855,000,000 shares then in issue. As such, the basic earnings per share for the Year was relatively lower than those for the Previous Year. Details of earnings per share are set out in note 11 to the Consolidated Financial statements of this announcement.

Dividend

The Board proposed a final dividend of HK2.50 cents per share and a special dividend of HK2.50 cents per share for the Year subject to the approval of the shareholders at the AGM. The total dividend for the Year is HK5.0 cents per share, equivalent to approximately 100.5% of the profit attributable to the owners of the Company for the Year, which is higher than the total dividend for the year ended 31 December 2017.

Outlook and Prospects

Despite the Group delivers creditable results for 2018, it remains cautiously optimistic about the medium-to-long-term prospects for its expansion plan and the overall interior design market. The Group will consider diversification of business in the industry and possible merger and acquisition in the future.

Looking ahead, the global economy is expected to be volatile and market sentiment continues to be conservative. The Group will closely monitor global political developments including the Sino-US trade war and Brexit. The management are confident in rising to the challenge through the Group's diversification strategy.

The Group will continue to strengthen its core business, especially striving for further penetration of the PRC market. Despite the indifferent response in Chinese property and investment markets during the Year, the Group firmly believes that regulations laid on the property market are intended to fight against property speculation and maintain healthy growth in the property market. Determination of the Chinese Government to support urbanisation and building advanced modern cities has apparently remained unchanged from the previous policies, and demand for property is expected to rise in the long run. In addition, the "Greater Bay Area" and "Belt and Road" are major strategic initiatives strongly promoted by the PRC which the Group can take advantage of and thereby further expand its business, seizing a greater market share. The PRC market remains enormous and the Group is confident that through the future development of the economy, its business there can have a prosperous future.

In the coming year, the Group will adopt strategies of diversification, specialisation, and globalisation to enhance its capacity as well as value. The Group will keep promoting our design brands (Steve Leung Designers "SL D", Steve Leung Lifestyle "SL L", Steve Leung Casa "SL C", Steve Leung Hospitality "SL H", Steve Leung Wellness "SL W", Steve Leung Architects "SL A", Steve Leung Education "SL E", Steve Leung & Yoo "SL Y", Steve Leung Exchange "SL X", Everyday Living "EVERYDAY LIVING" and Gangyuan Design "GY D") and aim to provide one-stop and comprehensive services to our clients. It will also enhance the synergies among these brands to provide superior professional and quality services. The Group will further promote the specialisation of interior design and interior decorating and furnishing services, especially in the elderly and wellness interior design sector, striving to stand out in the industry and further consolidate and upgrade our brand value. In terms of globalisation, there is no doubt that the international market is another key focus that the Group will place emphasis on. Up to the date of this announcement, the Group has completed a number of internationally-renowned projects, including award-winning projects Yuan, Atlantis the Palm in Dubai, The Eight, Grand Lisboa Hotel in Macau, The Mandarin Palace in Shanghai, Nanjing Mandarin Palace, Lake Genevè in Suzhou, Mangrove Bay Residence in Shenzhen, etc. We believe the Group can enhance our global brand recognition and participation in quality projects, bringing considerable contributions to its revenue and create value to our shareholders.

Furthermore, the Group's newly-established marketing department will take a proactive role in conducting outreach to potential clients, widening our domestic and international service territory and seizing market share. The Group will also promote our competitive advantages, including strength of our brand, creating value, convergence of talents, efficient execution, forming a one-stop diversified business platform and people-orientation in our design, in order to consolidate our branding and our leading position.

While enhancing promotion and marketing, the Group will strengthen its internal resources, including the SLD+, an experience center in our Shanghai office. SLD+ aims to provide our clients and visitors with an experience of the atmosphere and concept of our interior design, interior decorating and furnishing and product design in a comprehensive manner. SLD+ is expected to have its grand opening in third quarter of 2019.

With strong, experienced and professional teams, quality of services, reputation and leading position, the Group is confident in seizing opportunities, bringing satisfactory and sustainable returns and creating value for shareholders. The Group will continue to leverage the strong experience of its management and designers in the next fiscal year to further expand and maintain the strong growth as in the past so as to deliver sustainable yields and reasonable capital gains for shareholders.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and Financial Resources

The management and control of the Group's financial, capital management and external financing functions are centralised at the headquarters in Hong Kong. The Group has been adhering to the principle of prudent financial management in order to minimise financial and operational risks. The Group mainly relies upon internally generated funds, bank borrowings and the net proceed from the issue of shares by way of global offering on 5 July 2018 (the "**Global Offering**") to finance its operations and expansion.

As at 31 December 2018, the Group's total debt (representing total interest-bearing borrowings) to total asset ratio was 3.4% (Previous Year: 2.1%). The gearing ratio (net debt to equity attributable to owners of the Company) was 4.4% (Previous Year: 4.0%) as the Group has net cash (i.e. bank balances and cash less total debt) of HK$263.2 million as at 31 December 2018 (Previous Year: net cash HK$146.9 million).

The bank borrowings of the Group were mainly contributed by the bank borrowings for financing our equity capital raising expenses. The borrowings of HK$20 million was guaranteed by the Company, with one year term from draw down date and repayable in January 2019. Further costs for operations and expansion will be partially financed by our unutilized bank facilities. Up to this announcement date, the bank borrowings for financing our equity capital raising expenses were fully repaid by the net proceed from Global Offering as stated in the Prospectus and operating cash with no new bank borrowing drawdown.

The liquidity of the Group's maintained strong and healthy as the current ratio (i.e. current assets/current liabilities) of the Group as at the end of the Year was 4.2 (Previous Year: 2.0). The Group also has sufficient committed and unutilised loan and working capital facility and guarantee facilities to meet the needs of the Group's business development. The Group will cautiously seek for development opportunities with a view to balancing the risk and opportunity in maximizing shareholders' value.

As at 31 December 2018, the share capital and equity attributable to owners of the Company amounted to HK$11.4 million and HK$476.4 million, respectively (Previous Year: HK$10 and HK$199.2 million, respectively).

Pledge of Assets

As at 31 December 2018, the Group's bank borrowings was guaranteed by the Company.

As at the end of Previous Year, the Group's bank borrowings are secured by floating charge over all receivables of certain subsidiaries and pledged bank deposit of approximately HK$1,004,000.

Contingent Liabilities and Capital Commitments

The Group did not have any significant contingent liabilities as at 31 December 2018 and 31 December 2017. For capital commitments, please refer to note 20 to the consolidated financial statements.

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

The Group's bank borrowings have been made at floating rates. The Group operates in various regions with different foreign currencies including Renminbi and United States Dollar. The exchange rates for the foresaid currencies are relatively stable. The Group reviews the exchange risk regularly and closely monitors the fluctuation of foreign currencies and will make proper adjustments if necessary. The Group has no hedging arrangements for foreign currencies or interest rates.

Credit Risk Exposure

The Group has adopted prudent credit policies to deal with credit exposure. In connection with projects in progress (no matter in Hong Kong, the PRC or overseas), the major customers are institutional organizations and reputable property developers. Therefore, the Group is not exposed to significant credit risk.

Even though there is no significant credit risk exposure and there are no overdue trade receivables written-off during the Year, the Group's management reviews from time to time the recoverability of trade receivables and closely monitors the financial position of the customers in order to keep a very low credit risk exposure of the Group.

Risk Management

In order to widen the revenue foundation of the Group, the Group is actively looking for opportunities in different project nature. The Group will evaluate the market conditions and adjust its strategy in a timely manner and make decisions so as to ensure the effective implementation of the Group's expansion and operation plan. The Group will continue to strengthen the internal control system and risk control system by regularly reviewing the market risk, legal risk, contract risk and credit risk of clients of the domestic and overseas markets.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 31 December 2018 which may materially affect the Group's operating and financial performance as at the date of the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2018, the Group had approximately 587 (Previous Year: 520) full-time employees. The total remuneration of the employees (including the directors' remuneration) were approximately HK$204.0 million for the Year (Previous Year: HK$169.7 million). The increase in total remuneration of the employees was mainly due to the increase in number of the employees and average salary of our staffs. The Group offers attractive remuneration policy, discretionary bonus and share options will also be granted to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides external training programmes which are complementary to certain job functions.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITION AND DISPOSALS

For the purpose of obtaining a better interest rate on surplus funds, the Group subscribed two short-term notes with six months maturity during the Year which to be matured on 21 April 2019 and 17 June 2019 with a fixed interest rate of 6.0% per annum at a consideration of HK$30.0 million each amounting to a total consideration of HK$60.0 million.

The Group is subject to the market risks associated with its investments. The management of the Group will closely monitor the performance of the Group's investments from time to time and will consider taking risk management actions should the need arise.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets as at 31 December 2018.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company have been listed and traded on the Main Board of the Stock Exchange since 5 July 2018. The net proceeds from the Global Offering amounted to HK$195.0 million (after deducting underwriting fees and commissions and all related expenses). Such net proceeds are intended to be applied in accordance with the proposed application as disclosed in the Prospectus. As at 31 December 2018, the net proceeds received were applied as follows:

	Net proceeds (HK$ million)		
	Available	**Utilised**	**Unutilised**
Strengthening our Interior Design Services and developing specialisation	67.0	13.3	53.7
Further developing our Interior Decorating & Furnishing Services	31.1	8.2	22.9
Pursuing growth through selective mergers and acquisitions	28.4	–	28.4
Improving our information technology systems	22.1	8.7	13.4
Repaying existing bank borrowings	19.0	–	19.0
Enhancing our brand recognition	11.0	2.4	8.6
Further developing our Product Design Services	3.1	0.8	2.3
Working capital and other general corporate purposes.	13.3	5.3	8.0
Total	195.0	38.7	156.3

CORPORATE GOVERNANCE AND OTHER INFORMATION

FINAL AND SPECIAL DIVIDEND

The Board proposed a final dividend in the amount of HK2.5 cents per share and a special dividend in the amount of HK2.5 cents per share, which amounts to approximately HK$57.0 million in total for the Year. The payment of such final and special dividend will be subject to the approval of the shareholders at the AGM. Subject to the approval of the shareholders at the AGM, it is expected that the proposed final dividend will be paid on 30 August 2019. Notice of the AGM will be published on the Company's website and despatched to the shareholders in the manner required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

In order to establish entitlements to attend and voting at the AGM, the register of members of the Company will be closed from 29 May 2019 to 3 June 2019, both days inclusive, during which no transfer of shares will be registered. All transfers of shares accompanied by the relevant share certificates and properly completed transfer forms must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 28 May 2019.

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

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

CORPORATE GOVERNANCE

The Company 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, polices and guidelines.

In the opinion of the Directors, the Company has complied, to the extent applicable and permissible with the code provisions as set out in the Code of Corporate Governance Practices and Corporate Governance Report as contained in Appendix 14 to the Listing Rules (the "**Code Provisions**") since the Listing Date up to the date of this announcement, except for the following deviation: Paragraph A.6.7 of the Code Provisions specifies that the independent non-executive Directors and other non-executive Directors should attend general meetings of the Company and develop a balanced understanding of the views of the shareholders. Two independent non-executive Directors and two non-executive Directors were absent from the extraordinary general meeting of the Company held on 14 November 2018 due to other important business commitments.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code for securities transactions by directors and employees (the "**Securities Code**") with standards no less exacting than that of the Model Code set out in Appendix 10 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 Year.

AUDIT COMMITTEE REVIEW

The Audit Committee has reviewed with the Group's management and auditor, Messrs. Deloitte Touche Tohmatsu, the accounting principles and policies adopted by the Group, and discussed the financial information of the Group and the annual results of the Group for the Year.

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. Members of the Audit Committee agree with the accounting treatments adopted in the preparation of the consolidated financial statements.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountant and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 annual report for the year ended 31 December 2018 of the Company containing also the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

APPRECIATION

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

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, 11 March 2019

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