SL D

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 2019

FINANCIAL HIGHLIGHTS

	For the six months period ended 30 June		
	2019	2018	% Change
	(Unaudited)	(Unaudited)	
Results:			
Revenue for the period (HK$'million)	**221.5**	223.5	-0.9%
(Loss) Profit for the period (HK$'million)	**(8.5)**	25.2	-133.7%
Financial Information:			
(Loss) Earnings per share-basic (HK Cents)	**(0.76)**	2.92	-126.0%
Net assets value per share (HK$)	**0.37**	0.27	37.0%

Bank Balances and Cash:

As at 30 June 2019, the Group had bank balances and cash of approximately HK$246.6 million.

Interim Dividend:

The Board does not recommend the payment of interim dividend for the six months period ended 30 June 2019.

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 2019 (the "**Period**") together with the unaudited comparative figures for the corresponding six months period ended 30 June 2018 (the "**Previous Period**") as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

	NOTES	Six months period ended 30 June **2019** (Unaudited) *HK$'000*	2018 (Unaudited) *HK$'000*
Revenue	*3*	**221,468**	223,494
Cost of sales		**(144,133)**	(115,873)
Gross profit		**77,335**	107,621
Other gains and losses		**648**	5,134
Impairment losses under expected credit loss model		**(1,786)**	(809)
Other income		**7,209**	1,110
Administrative expenses		**(78,714)**	(67,465)
Listing expenses		**–**	(6,895)
Finance costs		**(1,181)**	(386)
Profit before taxation		**3,511**	38,310
Income tax expense	*4*	**(11,972)**	(13,143)
(Loss) profit for the period	*5*	**(8,461)**	25,167
Other comprehensive expense that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(3,761)**	(2,997)
Total comprehensive (expense) income for the period		**(12,222)**	22,170
(Loss) profit for the period attributable to:			
– Owners of the Company		**(8,617)**	24,939
– Non-controlling interests		**156**	228
		(8,461)	25,167
Total comprehensive (expense) income for the period attributable to:			
– Owners of the Company		**(12,344)**	21,926
– Non-controlling interests		**122**	244
		(12,222)	22,170
(Loss) earnings per share (expressed in Hong Kong cents)	7		
– Basic		**(0.76)**	2.92
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTES	**30 June 2019 (Unaudited) *HK$'000***	31 December 2018 (Audited) *HK$'000*
Non-current Assets			
Property, plant and equipment	*8*	**23,232**	24,315
Right-of-use assets	*8*	**41,523**	–
Intangible assets		**3,892**	4,355
Goodwill		**1,225**	1,231
Deposits paid for acquisition of property, plant and equipment		**6,712**	3,769
Rental deposits		**2,241**	6,042
Deferred tax assets		**12,361**	11,797
		91,186	51,509
Current Assets			
Inventories		**1,489**	1,444
Note receivables	*9*	**30,000**	60,000
Trade receivables	*10*	**169,913**	145,342
Other receivables, deposits and prepayments		**21,888**	16,734
Contract assets	*11*	**66,675**	62,950
Tax recoverable		**172**	–
Pledged bank deposits	*15*	**5,235**	–
Bank balances and cash		**246,610**	284,218
		541,982	570,688
Current Liabilities			
Trade payables	*12*	**39,003**	24,264
Other payables and accrued charges		**47,472**	58,098
Dividends payable		**57,000**	–
Bank borrowings	*13*	**4,542**	20,000
Lease liabilities		**21,791**	–
Obligations under a finance lease		**–**	223
Contract liabilities	*11*	**12,471**	20,316
Tax liabilities		**13,314**	12,592
		195,593	135,493
Net Current Assets		**346,389**	435,195
Total Assets less Current Liabilities		**437,575**	486,704

	NOTE	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Capital and Reserves			
Share capital	14	**11,400**	11,400
Reserves		**396,258**	465,011
Equity attributable to owners of the Company		**407,658**	476,411
Non-controlling interests		**9,601**	9,479
Total Equity		**417,259**	485,890
Non-current Liabilities			
Deferred tax liabilities		**1,160**	82
Lease liabilities		**19,156**	–
Obligations under a finance lease		**–**	732
		20,316	814
		437,575	486,704

1. GENERAL AND BASIS OF PREPARATION

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 The Stock Exchange of Hong Kong Limited on 5 July 2018. The Company's immediate holding company is Eagle Vision Development Limited, a limited liability company incorporated in the British Virgin Islands, whereas the directors of the Company consider that the Company's ultimate holding company is Jangho Group Co., Ltd., a company incorporated in the People's Republic of China ("**PRC**") with its shares listed on the Shanghai Stock Exchange.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") and an interpretation, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months period ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

2.1 *Impacts and changes in accounting policies of application on HKFRS 16 Leases*

The Group has applied HKFRS 16 *Leases* ("**HKFRS 16**") for the first time in the period. HKFRS 16 superseded HKAS 17 *Leases* ("**HKAS 17**"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("**HKFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Sale and leaseback transactions

The Group acts as a seller-lessee

The Group applies the requirements of HKFRS 15 *Revenue from Contracts with Customers* to assess whether sale and leaseback transaction constitutes a sale by the Group as a seller-lessee. For a transfer that does not satisfy the requirements as a sale, the Group accounts for the transfer proceeds as borrowing within the scope of HKFRS 9.

2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying *HKAS 37 Provisions, Contingent Liabilities* and *Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in Hong Kong and the People's Republic of China were determined on a portfolio basis; and

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rates applied ranges from 2.83% to 5.90%.

	Note	**At 1 January 2019** *HK$'000*
Operating lease commitments disclosed as at 31 December 2018		48,313
Lease liabilities discounted at relevant incremental borrowing rates		39,775
Add: Recognition of leases of office equipment		5,203
Less: Recognition exemption – short-term leases		(102)
Recognition exemption – low value assets		(179)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		44,697
Add: Obligations under a finance lease recognised at 31 December 2018	*(a)*	955
Lease liabilities as at 1 January 2019		45,652
Analysed as		
Current		21,598
Non-current		24,054
		45,652

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Notes	**Right-of-use assets** *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		44,697
Amounts included in property, plant and equipment under HKAS 17 – Assets previously under finance leases	*(a)*	1,171
Adjustments on rental deposits at 1 January 2019	*(b)*	419
		46,287
By class:		
Land and buildings		39,913
Motor vehicle		1,171
Office equipment		5,203
		46,287

(a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to HK$1,171,000 as right-of-use assets. In addition, the Group reclassified the obligations under a finance leases of HK$223,000 and HK$732,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$419,000 was adjusted to refundable rental deposits paid and right-of-use assets.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Property, plant and equipment	24,315	(1,171)	23,144
Right-of-use assets	–	46,287	46,287
Rental deposits	6,042	(419)	5,623
Current Liabilities			
Lease liabilities	–	21,598	21,598
Obligations under a finance lease	223	(223)	–
Non-current Liabilities			
Lease liabilities	–	24,054	24,054
Obligations under a finance lease	732	(732)	–

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, trading income from trading of interior decorative products.

An analysis of the Group's revenue for the six months period ended 30 June 2019 and 30 June 2018 are as follows:

	Six months period ended 30 June	
	2019	**2018**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Service revenue	**140,069**	195,730
License fee revenue	**869**	987
Trading income	**80,530**	26,777
	221,468	223,494

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

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

1. Interior design services: Provision of interior design services

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

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

Disaggregation of revenue from contracts with customers

	Six months period ended 30 June 2019 (unaudited)			
	Interior design services *HK$'000*	Interior decorating and furnishing services *HK$'000*	Product design services *HK$'000*	Total *HK$'000*
Geographical markets				
Hong Kong	10,937	2,051	–	12,988
PRC	111,039	86,895	370	198,304
Other regions	9,067	318	791	10,176
	131,043	89,264	1,161	221,468
Timing of revenue recognition				
Over time				
Service revenue	131,043	8,734	292	140,069
At point in time				
License fee revenue	–	–	869	869
Trading income	–	80,530	–	80,530
	–	80,530	869	81,399
	131,043	89,264	1,161	221,468

	Six months period ended 30 June 2018 (unaudited)			
	Interior design services *HK$'000*	Interior decorating and furnishing services *HK$'000*	Product design services *HK$'000*	Total *HK$'000*
Geographical markets				
Hong Kong	24,896	1,261	–	26,157
PRC	142,734	34,116	1,351	178,201
Other regions	17,217	615	1,304	19,136
	184,847	35,992	2,655	223,494
Timing of revenue recognition				
Over time				
Service revenue	184,847	9,215	1,668	195,730
At point in time				
License fee revenue	–	–	987	987
Trading income	–	26,777	–	26,777
	–	26,777	987	27,764
	184,847	35,992	2,655	223,494

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	Products design services HK$'000	Total HK$'000
For the six months period ended 30 June 2019 (unaudited)				
Revenue				
Segment revenue from external customers	**131,043**	**89,264**	**1,161**	**221,468**
Results				
Segment results	**(8,072)**	**16,389**	**731**	**9,048**
Unallocated expense				**(4,499)**
Interest income				**2,198**
Depreciation of certain property, plant and equipment				**(2,856)**
Loss on disposals of property, plant and equipment				**(380)**
Profit before taxation				**3,511**
For the six months period ended 30 June 2018 (unaudited)				
Revenue				
Segment revenue from external customers	184,847	35,992	2,655	223,494
Results				
Segment results	39,408	6,065	903	46,376
Unallocated income				7
Interest income				239
Depreciation of certain property, plant and equipment				(1,217)
Loss on disposals of property, plant and equipment				(200)
Listing expenses				(6,895)
Profit before taxation				38,310

Note: There are no inter-segment revenue for both periods.

Segment results represent the (loss incurred) profit earned by each segment without allocation of certain unallocated (expense) income, interest income, certain depreciation of property, plant and equipment, loss on disposals of property, plant and equipment and listing expenses. This is the measure reported to the CODMs for the purposes of resource allocation and performance assessment.

4. INCOME TAX EXPENSE

	Six months period ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	**1,202**	95
PRC Enterprise Income Tax	**10,178**	16,161
	11,380	16,256
Underprovision in prior years:		
Hong Kong Profits Tax	**–**	170
Deferred taxation	**592**	(3,283)
	11,972	13,143

Hong Kong Profit 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, accrued bonus, accrued expenses, provision for contract assets, tax losses, fair value adjustment on business acquisition and unrealised profits.

5. (LOSS) PROFIT FOR THE PERIOD

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

	Six months period ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Amortisation of intangible assets		
– included in cost of sales	**325**	450
– included in administrative expenses	**199**	79
	524	529
Cost of inventories recognised as an expense	**53,706**	17,395
Depreciation of property, plant and equipment	**4,478**	3,050
Depreciation of right-of-use assets	**11,602**	–
Exchange gain, net	**(1,028)**	(5,334)
Interest on bank borrowings	**88**	386
Interest on lease liabilities	**1,093**	–
Loss on disposal of property, plant and equipment	**380**	200

6. DIVIDEND

	Six months period ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Dividends for ordinary shareholders of the Company recognised as distribution during the period:		
Final dividend for the year ended 31 December 2018 of HK2.5 cents per share (for the six months period ended 30 June 2018: For the year ended 31 December 2017 of nil)	**28,500**	–
Special dividend for the year ended 31 December 2018 of HK2.5 cents per share (for the six months period ended 30 June 2018: nil)	**28,500**	–
	57,000	–

7. (LOSS) EARNINGS PER SHARE

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

	Six months period ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
<u>(Loss) earnings</u>		
(Loss) profit for the period attributable to owners of the Company for the purposes of basic and diluted (loss) earnings per share	**(8,617)**	24,939

	Six months period ended 30 June	
	2019	2018
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	**1,140,003,878**	855,000,000

The computation of diluted loss per share for the six months period ended 30 June 2019 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.

No diluted earnings per share for the six months period ended 30 June 2018 was presented as there were no potential ordinary shares in issue for the period.

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months period ended 30 June 2019, the Group acquired property, plant and equipment of HK$5,027,000 (for the six months period ended 30 June 2018: HK$10,096,000) mainly comprised of office equipment and leasehold improvement for business operations and expansion.

During the six months ended 30 June 2019, the Group entered into new lease agreements for the use of properties ranging from 2 to 4 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets and lease liabilities of HK$6,983,000.

9. NOTE RECEIVABLES

During the six months period ended 30 June 2019, the Group subscribed for a short term note of HK$30,000,000 with a fixed interest rate of 6.00% per annum from an independent third party and will be matured on 22 October 2019. As at 30 June 2019, this note receivable of HK$30,000,000 (31 December 2018: HK$60,000,000) is measured at amortised cost using the effective interest method, less any impairment and is guaranteed by a director who is one of the shareholders of the issuer of the note.

As at 30 June 2019, the Group's note receivable is 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 period ended 30 June 2019. In addition, the Group does not hold any collateral on the note receivable nor pledged as security.

10. TRADE RECEIVABLES

	At 30 June 2019	At 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**185,778**	159,617
Less: allowances for credit losses	**(15,865)**	(14,275)
	169,913	145,342

Included in the carrying amount of trade receivables as at 30 June 2019 is an amount of HK$18,865,000 (31 December 2018: HK$12,573,000) 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, presented based on the invoice date at the end of each reporting period.

	At 30 June 2019	At 31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 to 30 days	**120,935**	103,083
31 to 90 days	**16,123**	15,368
91 to 180 days	**8,366**	7,993
Over 180 days	**24,489**	18,898
	169,913	145,342

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

As at 30 June 2019, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$169,913,000 (31 December 2018: HK$145,342,000) which are past due as at the reporting date. Out of the past due balances, HK$32,855,000 (31 December 2018: 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.

The basis of determining the inputs and assumptions and the estimation techniques for 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 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

11. CONTRACT ASSETS (LIABILITIES)

	At 30 June 2019 *HK$'000* (Unaudited)	At 31 December 2018 *HK$'000* (Audited)
Contract assets		
Interior design services	**63,850**	59,474
Interior decorating and furnishing design services	**2,302**	2,978
Product design services	**523**	498
	66,675	62,950

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 30 June 2019 is an amount of HK$445,000 (31 December 2018: HK$10,831,000) from a related party controlled by a controlling shareholder of the Company.

	At 30 June 2019 *HK$'000* (Unaudited)	At 31 December 2018 *HK$'000* (Audited)
Contract liabilities		
Interior design services	**3,459**	5,433
Interior decorating and furnishing design services	**9,012**	14,883
	12,471	20,316

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

12. TRADE PAYABLES

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

	At 30 June 2019 *HK$'000* (Unaudited)	At 31 December 2018 *HK$'000* (Audited)
0 to 180 days	**34,345**	21,128
Over 180 days	**4,658**	3,136
	39,003	24,264

13. BANK BORROWINGS

During the period, the Group obtained new bank loans amounting to HK$4,542,000 (31 December 2018: HK$20,000,000). As at 30 June 2019, the loans carry interest at variable market rates of 4.80% per annum (31 December 2018: 5.95% per annum) and are repayable one year within the end of the reporting period.

14. SHARE CAPITAL

	Number of shares	*HK$*
Ordinary shares of the Company of HK$0.01 each		
Authorised		
At 1 January 2018	39,000,000	390,000
Increased on 11 June 2018 *(Note (a))*	3,961,000,000	39,610,000
At 31 December 2018 and 30 June 2019	4,000,000,000	40,000,000
Issued and fully paid		
At 1 January 2018	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
Issue of shares upon exercise of share options *(Note (d))*	39,000	390
At 30 June 2019	1,140,039,000	11,400,390

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 shares 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 of Hong Kong Limited. The proceeds of HK$2,850,000 and HK$247,950,000 (net of transaction cost of HK$20,977,000) were credited to the Company's share capital and share premium, respectively.

(d) On 13 June 2019, 39,000 ordinary shares of the Company were issued at a price of HK$0.44 per share pursuant to exercise of share options under the Pre-IPO share option scheme adopted on 11 June 2018 by an employee of the Group.

Share capital of the Group at 1 January 2018 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 of the Company dated 22 June 2018 (the "**Prospectus**").

15. PLEDGE OF ASSETS

As at 30 June 2019, the Group's bank borrowings are secured by pledged bank deposit of HK$5,235,000 (31 December 2018: nil).

16. CAPITAL COMMITMENTS

	At 30 June 2019 *HK$'000* **(Unaudited)**	At 31 December 2018 *HK$'000* (Audited)
Capital expenditures in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial statements	**2,760**	1,713

MANAGEMENT DISCUSSION AND ANALYSIS

Business Overview

We are an internationally renowned and award-winning interior design services and interior decorating & furnishing services provider headquartered in Hong Kong with offices in Beijing, Shanghai, Guangzhou, Shenzhen and Tianjin in the PRC. Founded in 1997 by Mr. Steve Leung, an architect, interior and product designer, the Group has grown into one of the largest interior design groups with over 600 employees in the PRC and Hong Kong.

Our international exposure and extensive experience have attributed to a diversified portfolio of projects, serving over 390 clients across the globe. Our projects include residential projects such as show flats, sales offices, standard provisions and club houses; private residence projects such as apartments, penthouses and villas; hospitality projects such as restaurants, hotels, serviced apartments and shopping malls; and commercial projects such as office premises. Notable projects include Yuan at Atlantis, The Palm, yoo Residence, and One Shenzhen Bay.

We are dedicated to achieve optimal balance between costs, functionality and aesthetics to uplift the lifestyle of end users. Leveraging on our interior design experience in the high-end market, we introduced interior decorating and furnishing services in 2015. We further develop our product design services where we collaborate with well-known brands to design quality furnishing and lifestyle products. Our capability in encompassing the complete value chain of interior design solutions have derived strong cross-selling synergies among the three core segments to achieve business optimisation, market competitiveness and a sustainable and long-term development.

With our well-established business model, professionalism, quality designs and services and dedication, we have gained worldwide recognition and garnered international awards and honours over 22 years of business. We are accredited as the number one (No.1) interior design firm in the Residential Category for three consecutive years from 2016-2018, as well as ranked 21st in global rankings in the "2018 Top 100 Giants Research" issued by the Interior Design magazine of the United States.

Financial and Business Review

Overall Performance

During the Period, the Group has recorded a total revenue of approximately HK$221.5 million (Previous Period: approximately HK$223.5 million), represented a slight decrease of 0.9%. Gross profit dropped by 28.2% to approximately HK$77.3 million (Previous Period: HK$107.6 million), and gross profit margin declined by 13.2 percentage point to 34.9% (Previous Period: 48.1%). Profit attributable to owners of the Company decreased from approximately HK$24.9 million to a net loss of approximately HK$8.6 million.

Revenue and Gross Profit by Segment

	Six months period ended 30 June 2019 (Unaudited)			Six months period ended 30 June 2018 (Unaudited)		
	Revenue HK$ million	**Gross profit HK$ million**	**Gross profit margin %**	Revenue HK$ million	Gross profit HK$ million	Gross profit margin %
Interior Design Services	**131.0**	**50.5**	**38.5%**	184.8	95.1	51.5%
Interior Decorating and Furnishing Services	**89.3**	**26.1**	**29.2%**	36.0	11.6	32.2%
Product Design Services	**1.2**	**0.7**	**58.3%**	2.7	0.9	33.3%
Total	**221.5**	**77.3**	**34.9%**	223.5	107.6	48.1%

As the number of newly awarded contract were less than expected, as well as there were more projects suspension and extension of project progress during the Period from our interior design services segment, the overall revenue was affected.

As for the Group's gross profit, decrease in gross profit was due to the drop of revenue from the interior design services segment. Despite the interior decorating and furnishing services segment increased significantly, yet the gross profit margin of the interior decorating and furnishing services segment is lower than that of the interior design services segment, the change in revenue mix during the Period contributed to the decline in the Group's gross profit margin. In addition, the extension of project progress as well as the drop of revenue as mentioned above further lowered the gross profit margin of our interior design services segment.

The Group recorded other gains of approximately HK$0.6 million for the Period (Previous Period: approximately HK$5.1 million), which were primarily derived from the drop in exchange gain resulting from the realisation of exchange difference from settlement of Renminbi transactions from Previous Period. However, the other income increased to HK$7.2 million (Previous Period: HK$1.1 million), which was resulting from the increase in interest income from note receivables, PRC tax rebate and government grant during the Period.

The Group recorded a 16.6% increase in administrative expenses to HK$78.7 million (Previous Period: HK$67.5 million). The increase was primarily due to the increase in the average salaries and headcount as a result of the Group's expansion strategy, the increase in rental expenses has also contributed to the increase in administrative expenses. Furthermore, part of the administrative expenditures were used to pave the way for the Group's new business line – SL2.0.

Combining the above, the Group recorded a loss for the Period amounted to HK$8.5 million (Previous Period: Profit of HK$25.2 million), representing a decrease of HK$33.7 million, and was mainly attributed to the decrease in revenue from our interior design services segment and overall gross profit as abovementioned.

The following stated the Group's remaining contract sum to be recognised in profit or loss and its movement during the Period:

	Interior design services HK$ million	Interior decorating and furnishing services HK$ million	Total HK$ million
Remaining contract sum carry at the beginning of the Period	306.7	79.4	386.1
Add: New contract sum awarded during the Period	180.1	191.9	372.0
Less: VAT for newly awarded contracts	(8.8)	(12.1)	(20.9)
Less: Revenue recognised during the Period	(131.0)	(89.3)	(220.3)
(Less)/Add: Variation order	(4.7)	0.9	(3.8)
Less: Exchange realignment	(13.6)	(1.0)	(14.6)
Remaining contract sum carry at the end of the Period	328.7	169.8	498.5

Interior Design Services

With the continuous macroeconomic downturn resulting from the Sino-US trade war and the cooling measures in the PRC property market, the high-end property market in the PRC, which the Group concentrated in and relies on, has been materially and adversely affected. However, the middle-end property market and business of small to medium-sized units have been growing at a relatively faster pace due to the property pricing restriction policy. Meanwhile, the strengthening of urbanisation and infrastructure in the PRC has also promoted the trend of boutique residential unit.

The contract sum of the newly awarded contract to the Group did not increase as expected, the major reason was the number of interior design services contracts from high-end property market newly awarded was below expectation. Nevertheless however, there was a significant growth in the number of newly awarded contracts from interior design services from middle-end property market and interior decorating and furnishing services segment. Further, the number of suspended and terminated projects increased as a result of the property pricing restrictions and extended project progress for on-going projects, the revenue of interior design services decreased from approximately HK$184.8 million of the Previous Period, to HK$131.0 million during the Period, accounting for approximately 59.2% of total revenue during the Period (Previous Period: approximately 82.7%). In-line with the decrease in revenue, segment loss stood at HK$8.1 million (Previous Period: Profit HK$39.4 million).

As at 30 June 2019, the segment has a remaining contract sum of approximately HK$328.7 million (Previous Period: HK$337.9 million), which is expected to be realised based on the stage of completion of projects, with a project generally last for six to nine months.

Leveraging on the Group's continuous effort in business diversification including the development of specialised brands and expansion into new markets, the performance of the Group's interior design services is expected to improve.

Interior Decorating and Furnishing Services

Since the current market trend for the interior design industry is to have more emphasis placed on the interior decorating and furnishing services and less so on the interior design service so as to speed up the design and fit-out cycle, the demand for interior decorating and furnishing services has been continuously expanding.

As a revenue growth engine, interior decorating and furnishing services segment maintained its notable stable growth during the first half of 2019. During the Period, the segment accounted for approximately 40.3% of the Group's total revenue (Previous Period: approximately 16.1%), and achieved a top line growth of 148.1% to HK$89.3 million (Previous Period: approximately HK$36.0 million). Segment profit also rose significantly from approximately HK$6.1 million to HK$16.4 million, as a result of the increase in demand and expansion of our teams.

As at 30 June 2019, the segment had a remaining contract sum of approximately HK$169.8 million (Previous Period: HK$94.9 million), which is expected to be realised based on the delivery of interior decorative products and completion of projects.

Riding on the Group's extensive experience and expertise in interior design, it is expected that the interior decorating and furnishing services segment will remain strong and further contribute to the Group in the future.

Product Design Services

Another important facet of the Group's operation is product design services, which can elevate the overall interior design, decorating and furnishing layout, and hence increase customer satisfaction. The provision of such services is also in line with the Group's marketing and branding strategies. During the Period, the segment continued to perform steadily, with revenue reaching approximately HK$1.2 million (Previous Period: approximately HK$2.7 million).

Introducing the new design line – SL2.0

In the first half of 2019, the consumer market experienced a significant change in sentiment, preferences, and hence purchases. On the interior design front, this has led to a significant upward market trend with developers increasingly favouring the development of small to medium-sized unit properties.

Coupled with the fact that there is a growing younger class and a downsizing trend in living space, as well as the pursuit of quality of life, the market is now trending towards a more technologically-driven, innovative design, yet simple, functional with a hint of "light luxury" presence. With the re-positioning strategy, developers met the market demand and delivered sharp sales performance in small-sized flats and mid-end market. Sales of high-end luxury residence, in contrast, recorded a steady decline.

During the Period, the Group prepared to introduce a new brand "SL2.0" in response to the change in the PRC property market. The marketing positioning of SL2.0 is to target middle-to-high-end property market by embracing the idea of innovative, energetic, stylish, life-oriented, humanised design. In the future, SL2.0 will offer quality interior design and interior decorating and furnishing services at a competitive price, with the aim of promoting the development of small to medium sized property developers and expanding its market presence in middle-to-high-end market.

Leveraging on our solid foundation in the high-end market, experience and good reputation in the interior design industry, SL2.0 has already soft launched and attracted clients and was awarded contract sum amounted to approximately HK$3.1 million before its official launch.

As SL2.0 continues its venture, the Group is confident that it has laid a new and good foundation to achieve higher customer satisfaction, market penetration, and in turn, better operating performance in the near future.

OUTLOOK AND PROSPECTS

For the purpose of diversifying our business and brands, extending our markets and specialisation, as a counter-cyclical measures and paving the way for the future, the Group is continuously investing in expanding our professional teams in this volatile market atmosphere.

Despite recent reports reflected that sales for PRC's top 100 developers fell 29% for the first seven months of 2019, the Group remains optimistic towards its performance in the second half of the year, as sales of property usually come after the completion of our interior design projects, thus recognised profit of developers also lagged behind.

Although the global and domestic economies remain volatile and unpredictable in the second half of 2019, there are still ample opportunities for the Group to capture. Since the beginning of 2019, there has been a sign of relaxation on the property market cooling measures in the PRC, such as the removal of property purchase restriction, resale restriction and the mortgage restriction in some cities of the PRC. It is believed that the relaxing of household registration restrictions could further unleash house demands. Such loosening of property restriction has provided the Group with a more favourable business environment. As at 30 June 2019, the Group has recorded a total awarded contract sum of HK$372.0 million, representing an increase of 32.6% (Previous Period: approximately HK$280.5 million). Being a top brand in the interior design industry, the Group will further explore the middle-to-high-end market. With the introduction of the new brand "SL2.0", which targeted the demand and requirement of the rapidly changing property market in the PRC, and with the high recognition to the Group from the market participants, we are confident that the new brand will become one of the key drivers towards a better business development of the Group. The Group will continue to take advantage of macro government initiatives and stay attentive to the updates of the matters, and make timely responses on strategy when required.

The Group will also look to expand its coverage into the Greater Bay Area, an area that contributed US$1.6 trillion to the Chinese economy in 2018, as the influx of businesses, talents, and their families to the area would create a strong demand in premium interior design services and specialised design. The Group will also look at opportunities in the Greater China Region and the Southeast Asia region, in order to further consolidate its leading market position, expand business scale, and derive synergies and efficiencies. By collaborating with existing clients and other established property developers, the Group intends to radiate its services and coverage to the aforementioned areas, offering premium, international interior design to various local markets to drive business growth while mitigating geographical risks of the business.

Through years of efforts, the Group has established a strong brand equity and clientele in the interior design industry. With its proven design capabilities, decades of operational excellence, and widely-recognised status among property developers, the Group remains cautiously optimistic in navigating through the volatile operating environment and gaining greater market share in the interior design market. The Group will also continue to explore different business opportunities in order to create value for our 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 internal generated funds, bank borrowings and the net proceeds from the issue of shares by way of Hong Kong public offering and international placing on 5 July 2018 (the "**Global Offering**") to finance its operations and expansion.

As at 30 June 2019, 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 0.9% (as at 31 December 2018: 3.4%). 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 1.3% (as at 31 December 2018: approximately 4.4%) as the Group has net cash (bank balances and cash less total debt) of approximately HK$241.2 million as at 30 June 2019 (as at 31 December 2018: net cash approximately HK$263.2 million).

The bank borrowings of the Group were mainly contributed by the bank borrowings for financing our daily operation and our equity capital raising expenses. The bank borrowings of approximately HK$4.5 million as at 30 June 2019 were secured by a pledged bank deposit as disclosed in note 15 to the condensed consolidated interim financial statements. The borrowings of approximately HK$20 million as at 31 December 2018 were secured by corporate guarantee of the Company, with one year term from draw down date and fully repaid in January 2019 by the net proceeds from the Global Offering as stated in the Prospectus and operation cash. Further costs for operations and expansion will be partially financed by our unutilised bank facilities.

The liquidity of the Group maintained strong and healthy as the current ratio (current assets/ current liabilities) of the Group as at 30 June 2019 was 2.8 (as at 31 December 2018: 4.2). The Group also has sufficient committed and unutilised loan and working capital facility and guarantee facilities to meet the needs of the Group's business development. The Group will cautiously seek development opportunities with a view to balancing the risk and opportunity in maximising shareholders' value.

As at 30 June 2019, the share capital and equity attributable to owners of the Company amounted to approximately HK$11.4 million and approximately HK$407.7 million, respectively (as at 31 December 2018: approximately HK$11.4 million and approximately HK$476.4 million, respectively).

Pledge of Assets

As at the end of the Period, Group's bank borrowings were secured by pledged bank deposit of approximately HK$5.2 million as disclosed in note 15 to the condensed consolidated interim financial statements.

Contingent Liabilities and Capital Commitments

The Group did not have any significant contingent liabilities as at the end of the Period. For capital commitments, please refer to note 16 to the condensed consolidated interim 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 the United States Dollars and Renminbi. The exchange rates for the foresaid currencies have been fluctuated with the Renminbi recently depreciating compared to the United States Dollars. The Group reviews the exchange risk regularly and closely monitors the fluctuation of foreign currencies and will make proper adjustments if necessary. The Group currently 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 organisations 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 Period, the Group's management reviews the recoverability of trade receivables from time to time and closely monitors the financial position of its 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 and business. 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 strategy. The Group will continue to strengthen the internal control and risk control procedures by regularly reviewing the market risk, financial risk, policy risk, legal risk, contract risk and credit risk of the customers and the markets.

Events After the Reporting Period

There are no other significant events subsequent to 30 June 2019 which may materially affect the Group's operating and financial performance up to the date of this announcement.

Employees and Remuneration Policies

As at 30 June 2019, the Group had approximately 603 (as at 30 June 2018: 570) full-time employees. The total remuneration of the employees (including the Directors' remuneration) were approximately HK$89.3 million for the Period (Previous Period: HK$69.6 million). The increase in total remuneration of the employees was mainly due to the increase in number of the employees and average salaries 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

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

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

Neither the Company nor any of its subsidiaries has 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, polices and guidelines.

The Company has adopted and applied the principles and code provisions set out in the Corporate Governance Code (the "**Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Board confirms that the Company has complied with the mandatory code provisions in the Code during the Period and up to the date of this announcement. The Board will review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

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

USE OF PROCEEDS

The shares of the Company have been listed and traded on the Main Board of The Stock Exchange of Hong Kong Limited since 5 July 2018. The net proceeds from the Global Offering amounted to HK$195.0 million (after deducting underwriting fees and commissions and all related expenses) (the "**Net Proceeds**"). Such Net Proceeds are intended to be applied in accordance with the proposed application as disclosed in the Prospectus and the announcement regarding the change in use of proceeds dated 6 June 2019 (the "**Change**"). As at 30 June 2019, the Net Proceeds received were applied and reallocated as follows:

	Original allocation of Net Proceeds HK$ million	Utilised Net Proceeds up to 6 June 2019 HK$ million	Unutilised Net Proceeds up to 6 June 2019 (before the Change) HK$ million	Reallocation of Unutilised Net Proceeds HK$ million	Revised allocation of Unutilised Net Proceeds (after the Change) HK$ million	Utilised Net Proceeds since the Change up to 30 June 2019 HK$ million	Unutilised Net Proceeds up to 30 June 2019 HK$ million
Strengthening our Interior Design Services and developing specialisation	67.0	(24.1)	42.9	(28.1)	14.8	(0.9)	13.9
Further developing our Interior Decorating & Furnishing Services	31.1	(19.9)	11.2	7.2	18.4	(4.6)	13.8
Pursuing growth through selective mergers and acquisitions	28.4	–	28.4	11.6	40.0	–	40.0
Improving our information technology systems	22.1	(13.7)	8.4	(5.7)	2.7	(0.7)	2.0
Repaying existing bank borrowings	19.0	(19.0)	–	–	–	–	–
Enhancing our brand recognition	11.0	(4.2)	6.8	–	6.8	(0.2)	6.6
Further developing our Product Design Services	3.1	(1.9)	1.2	–	1.2	(1.0)	0.2
Working capital and other general corporate purposes	13.3	(13.3)	–	–	–	–	–
Developing a new brand ("**SL2.0**") and teams for middle-end and specialised interior design services market	–	–	–	15.0	15.0	(0.4)	14.6
Total	195.0	(96.1)	98.9	–	98.9	(7.8)	91.1

AUDIT COMMITTEE REVIEW

The interim results of the Group for the Period is unaudited, but has been reviewed by the Group's external auditor, Messrs. Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA, whose unmodified review report for the Period will be included in the interim report to be sent to the Shareholders.

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

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

Hong Kong, 19 August 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. Tsang Ho Ka Eugene, Mr. Liu Yi and Mr. Sun Yansheng.