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

INTERIM REPORT 2018

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2262

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
SIU Man Hei (Chief Executive Officer)
YIP Kwok Hung Kevin (Chief Financial Officer)
DING Chunya
KAU Wai Fun

Non-executive Directors
XU Xingli (Chairman)
XIE Jianyu

Independent Non-executive Directors
LIU Yi
SUN Yansheng
TSANG Ho Ka Eugene

AUDIT COMMITTEE

TSANG Ho Ka Eugene (Chairman)
LIU Yi
SUN Yansheng

REMUNERATION COMMITTEE

SUN Yansheng (Chairman)
XU Xingli
TSANG Ho Ka Eugene

NOMINATION COMMITTEE

XU Xingli (Chairman)
SUN Yansheng
TSANG Ho Ka Eugene

RISK MANAGEMENT COMMITTEE

TSANG Ho Ka Eugene (Chairman)
YIP Kwok Hung Kevin (Chief Financial Officer)
CHEUNG Henry

COMPANY SECRETARY

CHEUNG Henry

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

30/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

AUTHORISED REPRESENTATIVES

YIP Kwok Hung Kevin (Chief Financial Officer)
CHEUNG Henry

AUDITORS

Deloitte Touche Tohmatsu

CORPORATE INFORMATION (CONTINUED)

COMPLIANCE ADVISOR

Dongxing Securities (Hong Kong) Company Limited

LEGAL ADVISOR

Pinsent Masons

PRINCIPAL BANKERS

Hang Seng Bank Limited
DBS Bank (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited
Dah Sing Bank
Hang Seng Bank (China) Limited (Beijing Branch)

STOCK CODE

2262

COMPANY'S WEBSITE

www.sldgroup.com

INVESTOR RELATIONS CONTACT

Strategic Financial Relations Limited
SLD@sprg.com.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am delighted to present to you the interim report for STEVE LEUNG DESIGN GROUP LIMITED ("SLD Group" or the "Company") and its subsidiaries (collectively the "Group") for the six months period ended 30 June 2018.

The living standards in the People's Republic of China (the "PRC") are consistently improving, as more and more people strive for better quality of life and are driving robust demand for quality interior design services in the country. Therefore, while domestic property market regulations still remain in place in the PRC, the SLD Group has not been adversely affected. In contrast, we have achieved a fruitful result in this period and it has formed a firm foundation for future expansion, encouraging the Group to go further and reach higher.

As a matter of fact, we have been expanding since the first quarter of 2018 which can be seen in the enlargement of our Hong Kong headquarters and our Shanghai office. In the second half of the year, we plan to strengthen our interior design, interior decorating and product design teams to match the growth of our business and the rising market demand.

In particular, we also see solid potential in our interior decorating service, especially that targeted towards the PRC's increasingly wealthy and growing middle class. We aim to further grow our presence in this segment by leveraging the projects and client base from our interior design segment.

Underscoring our commitment to growth, SLD Group has been listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 July 2018. The interim results during the period under review are the first official results announcement of SLD Group since our listing and we believe the sound performance demonstrates our commitment and clearly shows our ability to create value for our investors.

Our listing symbolises our new approach to business and our commitment to uncover unique opportunities for investors. Following our listing, SLD Group has resolved to maintain our continuous business growth and to exert greater efforts towards further diversification through successfully executing our expansion plan.

On behalf of the board of directors (the "Directors") of the Company (the "Board"), I would like to express my sincere gratitude to our Shareholders, business partners and professional parties for their support. I would also like to thank our staff for their continuous dedication to the Group over these busy periods.

Finally, I would like to ask all of you for your future support as we continue to strive our utmost to create value for Shareholders in the second half of the financial year and beyond.

Design without limits.

XU Xingli
Chairman
28 August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the six months period ended 30 June 2018 (the "Period"), with the strong base of clients within our largest interior design service segment, the Group has continuously expanded our core business as well as interior decorating and furnishing services and product design services.

OVERALL PERFORMANCE

The Group has recorded consolidated revenue of approximately HK$223.5 million during the Period (for the six months period ended 30 June 2017 (the "Previous Period"): HK$177.6 million), with a gross profit of approximately HK$107.6 million (Previous Period: HK$90.2 million) and gross profit margin of approximately 48.1% (Previous Period: 50.8%).

Net profit for the Period was approximately HK$25.2 million (Previous Period: HK$20.7 million). Basic earnings per share for the Period was approximately HK cents 2.92 (Previous Period: HK cents 2.39). The Board does not recommend the payment of an interim dividend for the Period.

As at 30 June 2018, the Group's total assets were valued at approximately HK$362.2 million, of which current assets were approximately HK$320.7 million, being approximately 2.43 times of the current liabilities. Equity attributable to the owners of the Company was approximately HK$221.9 million.

INTERIOR DESIGN AND DECORATING SERVICES REVIEW

Referring to the Frost and Sullivan Industry Report as stated in the prospectus of the Company dated 22 June 2018 (the "Prospectus"), benefiting from the urbanisation process in China as well as income level constantly improving, the needs for real estate property as well as a better user and living experience and aesthetic attraction in the interior design and decorating services market in China, expanding from RMB143.2 billion in 2013 to RMB194.2 billion in 2017 at a compound annual growth rate ("CAGR") of 7.9% in terms of revenue. The growth momentum of interior design and decorating services market is expected to be consistent from 2018 to 2022 due to the constant growing real estate market in China as well as the increasing demand of renovation projects. Accordingly, it is estimated that the size of the interior design and decorating services market in China will rise from RMB209.6 billion in 2018 to RMB274.0 billion in 2022 at a CAGR of 6.9%.

Given that the real estate market presented a stable growth in the past five years, interior design and decorating services market size in Hong Kong correspondingly witnessed a steady increase from HK$3,029.6 million in 2013 to HK$4,057.6 million in 2017, representing a CAGR of 7.6%.

We believe our Group is well-poised to capture these growth.

BUSINESS REVIEW

During the Period, the real estate investment in the PRC slowed down due to the cooling measures implemented by the government. In addition, the Sino-US trade war introduced uncertainties into the macro environment, leading to weakened investment sentiment. Despite such developments, the Group was able to deliver encouraging results, including revenue that increased by 25.8% to approximately HK$223.5 million, gross profit of approximately HK$107.6 million and gross profit margin of approximately 48.1%.

The Group's satisfactory performance can be attributed to the leveraging of its award-winning and internationally renowned interior design services to expand its business and clientele. While achieving both objectives, the Group focused particularly on high-end residential, private residence and hospitality projects in the PRC, Hong Kong and overseas markets. The PRC remains the major market of the Group. With regard to the cooling measures implemented by the PRC government, our clients and its projects are strategically switching from the first tier cities to second and third tier cities in the PRC during the Period, the Group will continue to leverage on its clientele to capture the trend in order to maintain the market shares and explore new business opportunities in second and third tier cities. Apart from interior design projects, the Group also continued to widen its interior decorating and furnishing services business, resulting in steady business growth. Both the interior design and interior decorating and furnishing services businesses thus constitute key pillars of the Group.

INTERIOR DESIGN SERVICES

With regards to the interior design segment, it remained the primary business and main source of revenue of the Group, accounting for approximately 82.7% of total revenue during the Period. Despite volatile market conditions, including a sluggish PRC real estate market, the interior design business managed to perform at a similar level to last year, which can partly be attributed to securing an encouraging newly awarded contract sum of HK$184.4 million during the Period (for the year ended 31 December 2017: HK$446.3 million) representing 41.3% of last year and remaining contract sum of HK$337.9 million at the current period end (for the year ended 31 December 2017: HK$368.6 million) representing 91.7% of last year. The Group has shown its ability to its clients, particularly property developers, by demonstrating them the stable performance of the interior design business. Seeing that the Group's work adds value to their properties, the Group has become well-known among property developers in the PRC. Such recognition will be able to reinforce the segment's status as principal business of the Group in the future.

INTERIOR DECORATING AND FURNISHING SERVICES

The interior decorating and furnishing services business commenced operation in 2016, and has achieved notable growth during the past two years. During the Period, the segment accounted for approximately 16.1% of its total revenue, and achieved year-on-year top line growth of 98.7%. The noteworthy performance was due to a large number of newly awarded contracts both prior to and during the Period, as well as clients electing to employ the Group due to its ability to provide a comprehensive scope of services that include interior design and decorating and furnishing services. The newly awarded contract amounted to HK$80.6 million during the Period (for the year ended 31 December 2017: HK$77.2 million) representing 104.4% of last year and the remaining contract sum was HK$94.9 million at the current period end (for the year ended 31 December 2017: HK$54.0 million) representing 175.7% of last year.

PRODUCT DESIGN SERVICES

Another important facet of the Group's operation is product design, an area of activity resulting from its business and service diversification drive. During the Period, the segment continued to perform steadily, delivering satisfactory results to the Group. The Group will continue to collaborate with different internationally renowned brands to create furniture, bathroom products, kitchen cabinets, etc.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PROSPECTS

The Group will maintain focus on developing its three core businesses, which includes examining ways to diversify our revenue sources within the industry so as to minimise the impact of possible risk on the Group. The Group has identified several sectors where demand for interior design and interior decorating and furnishing services are expected to grow, including the elderly, wellness and environmental-related segments. In addition, the market size of specialised interior design and decorating services in the PRC is expected to grow steadily; while in Hong Kong, driven by projects from the public sector initiated by the Urban Renewal Strategy as well as the growing need for infrastructure upgrades, the market is expected to grow robustly. The Group will therefore place more effort on seizing opportunities arising from the abovementioned developments as well.

To capture upcoming opportunities and maintain the growth momentum, the Group will implement a series of measures to ensure there are sufficient resources to support its day-to-day business operations. The Group intends to strengthen its interior design services and develop specialisation services, as well as its interior decorating and furnishing services. Such efforts will include expanding existing design and decoration teams, developing their specialities, widening and diversifying the furniture, fittings and accessories catalogue and expanding the Group's headquarters and offices. As product design services are considered to be complementary to interior design and interior decorating and furnishing services, the Group will recruit more product designers and allocate more resources towards researching and developing the latest skills, technologies and processes in product design so as to capture cross-selling opportunities. Furthermore, greater resources will be allocated for maintaining and developing information technology systems. In addition, efforts will be placed on devising and implementing marketing strategies to enhance the Group's brand equity, which will include participation in more industry-related exhibitions, forums and media programmes.

As the interior design and interior decorating and furnishing services markets are highly fragmented and competitive, the Group will also consider relevant mergers and acquisitions. Such transactions would not only create more business opportunities and accelerate the growth of the Group, but would also facilitate synergies with the Group's other brands.

FINANCIAL REVIEW

REVENUE AND GROSS PROFIT

During the Period, the Group's revenue increased by HK$45.9 million or 25.8% to HK$223.5 million (Previous Period: HK$177.6 million). The increase can be attributed to the prompt conversion of projects on hand to revenue, which follows the expansion of the Group's interior design team.

The Group's gross profit increased by HK$17.4 million or 19.3% to HK$107.6 million (Previous Period: HK$90.2 million), while gross profit margin slightly decreased to 48.1% (Previous Period: 50.8%). 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 under development. The gross profit margin of trading of interior decorative products is, however, usually lower than service income. Therefore, the change in revenue mix during the Period further contributed to the decline in gross profit margin.

OTHER GAINS AND LOSSES

The Group recorded other gains of HK$4.3 million for the Period (Previous Period: other losses of HK$2.5 million), which were primarily derived from an exchange gain resulting from the realisation of exchange differences from settlement of certain Renminbi transactions during the Period.

OTHER INCOME

The other income represents the interest income, tax rebate and government grant in the PRC. The increase was mainly contributed from the increase in government grant in the PRC during the Period.

ADMINISTRATIVE EXPENSES

The Group recorded a 25.7% increase of administrative expenses from HK$53.7 million to HK$67.5 million. 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 during the Period.

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 Period.

PROFIT FOR THE PERIOD

The Group's profit for the Period amounted to HK$25.2 million (Previous Period: HK$20.7 million), representing an increase of HK$4.5 million or 21.7%, and was the result of an increase in revenue and gross profit as abovementioned.

OUTLOOK AND PLANS

Having maintaining a considerable growth in its results for the first half of 2018, the Group remains cautiously optimistic about the medium to-long-term prospects for its expansion strategy and the interior design market. The Group will also seek diversification of its business in the industry and possible merger and acquisition opportunities in the future.

In addition, the Group will continue to leverage the strong experience of its management and designers in the second half of its fiscal year to carry the strong growth of the past so as to deliver sustainable returns 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 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 2018, the Group's total debt (representing total interest-bearing borrowings) to total asset ratio was approximately 5.5% (as at 31 December 2017: 2.1%). The gearing ratio (net debt to equity attributable to owners of the Company) was approximately 9.0% (as at 31 December 2017: approximately 4.0%) as the Group has net cash (bank balances and cash less total debt) of approximately HK$65.6 million as at 30 June 2018 (as at 31 December 2017: net cash approximately HK$147.9 million).

The bank borrowings of the Group were mainly contributed by the bank borrowings for financing our equity capital raising expenses. The borrowings of approximately HK$20 million were secured by floating charge over all receivables of certain subsidiaries, with one year term from draw down date and repayable in January 2019 which will be repaid by the net proceeds from Global Offering as stated in the Prospectus. 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 2018 was 2.4 (as at 31 December 2017: 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 development opportunities with a view to balancing the risk and opportunity in maximising shareholders' value.

As at 30 June 2018, the share capital and equity attributable to owners of the Company amounted to approximately HK$10 and approximately HK$221.9 million, respectively (as at 31 December 2017: approximately HK$10 and approximately HK$199.2 million, respectively).

PLEDGE OF ASSETS

As at the end of the Period, the Group's bank borrowings were secured by the floating charge over all receivables of certain subsidiaries.

As at the end of Previous Period, the Group's bank borrowings were secured by pledged bank deposits of approximately HK$1,004,000.

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 15 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 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 strategy. The Group will continue to strengthen the internal control system and risk control procedures by regularly reviewing the market risk, legal risk, contract risk and credit risk of the customers of the markets.

EVENTS AFTER THE REPORTING PERIOD

Please refer to Note 19 to the Notes to the condensed consolidated interim financial statements.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had approximately 570 (as at 30 June 2017: 487) full-time employees. The total remuneration of the employees (including the Directors' remuneration) were approximately HK$69.6 million for the Period (Previous Period: HK$57.3 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.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

The Group had not made any significant investments or material acquisitions and disposals of subsidiaries during the Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets as at 30 June 2018.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

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

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

During the Period, since the Company's shares were not listed on the Stock Exchange, the disclosure requirements of relevant regulations in Hong Kong, including Division 7 and 8 of Part XV of the SFO and Section 352 of the SFO and the Model Code in the Listing Rules, were not applicable to the Company and the Directors and chief executives of the Company.

On 5 July 2018 (the "Listing Date"), the shares of the Company were listed on the Stock Exchange. So far as our Directors are aware, as of the date of this report, the interests and short positions of the Directors and the chief executives of the Company in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") to be notified to the Company and the Stock Exchange are set out as follows:

Name of Directors and chief executives	Long/Short position	Capacity/ Nature of interest	Number of shares	Approximate percentage of the issued share capital of the Company
Mr. Siu Man Hei	Long	Beneficial owner	10,032,000	0.880%

Save as disclosed in the foregoing, as at the date of this report, having sufficient enquiry to and with the best knowledge of the Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

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

During the Period, since the Company's shares were not yet listed on the Stock Exchange, the disclosure requirements of relevant regulations in Hong Kong, including Division 7 and 8 of Part XV of the SFO and Section 352 of the SFO and the Model Code in the Listing Rules, were not applicable to the Company and the Directors and chief executives of the Company.

So far as our Directors are aware, as at the date of this report, shareholders (other than the Directors and chief executives of the Company) who has an interest or a short position in the shares which would be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO, or would be, directly or indirectly, interested in 10% or more of the nominal value of any class of Shares carrying rights to vote in all circumstances at general meetings of the Company, or as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following substantial shareholders (other than the directors and chief executives of the Company), were as follows:

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Name	Long/ Short position	Capacity/ Nature of interest	Number of shares	Approximate percentage of the issued share capital of the Company
Eagle Vision Development Limited *(Note 2)*	Long	Beneficial owner	598,500,000	52.5%
Peacemark Enterprises Limited *(Note 3)*	Long	Interest in controlled corporation	598,500,000	52.5%
Jangho Hong Kong Holdings Limited *(Note 3)*	Long	Interest in controlled corporation	598,500,000	52.5%
Jangho Group Co., Ltd. *(Note 4)*	Long	Interest in controlled corporation	598,500,000	52.5%
Beijing Jiangheyuan Holdings Co., Ltd. *(Note 4) (Note 5)*	Long	Interest in controlled corporation	598,500,000	52.5%
Liu Zaiwang *(Note 4)*	Long	Interest in controlled corporation	598,500,000	52.5%
Fu Haixia *(Note 5)*	Long	Interest of spouse	598,500,000	52.5%
Sino Panda Group Limited *(Note 6)*	Long	Beneficial owner	256,500,000	22.5%
Leung Chi Tien Steve *(Note 6)*	Long	Interest in controlled corporation	256,500,000	22.5%
Chan Siu Wan *(Note 7)*	Long	Interest of spouse	256,500,000	22.5%
Gloryeild Enterprises Limited *(Note 8)*	Long	Interest in controlled corporation	171,000,000	15.0%
Sundart Holdings Limited *(Note 8)*	Long	Interest in controlled corporation	171,000,000	15.0%
Reach Glory International Limited *(Note 8)*	Long	Interest in controlled corporation	118,845,000	10.4%
Health Capital Enterprises Limited *(Note 9)*	Long	Interest in controlled corporation	171,000,000	15.0%
Gangyuan Architectural Decoration Hongkong Limited *(Note 9)*	Long	Interest in controlled corporation	171,000,000	15.0%
Gangyuan Architectural Decoration Engineering Co., Ltd *(Note 9)*	Long	Interest in controlled corporation	171,000,000	15.0%
Beijing Jangho Chuangzhan Management Consulting Company Limited *(Note 9)*	Long	Interest in controlled corporation	117,562,500	10.3%

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Notes:

1. On the basis of 1,140,000,000 Shares in issue as at 30 June 2018.

2. Eagle Vision Development Limited is beneficially owned by Peacemark Enterprises Limited as to approximately 42.86%, Gloryeild Enterprises Limited as to approximately 28.57% and Health Capital Enterprises Limited as to approximately 28.57%.

3. Peacemark Enterprises Limited is wholly and beneficially owned by Jangho Hong Kong Holdings Limited and Jangho Hong Kong Holdings Limited is in turn wholly and beneficially owned by Jangho Group Co., Ltd..

4. Jangho Group Co., Ltd. is beneficially owned by Beijing Jiangheyuan Holdings Co., Ltd. (a company which is 85% and 15% beneficially owned by Liu Zaiwang and his spouse, Fu Haixia, respectively) as to approximately 27.35% and Liu Zaiwang as to approximately 25.07%.

5. Fu Haixia, the spouse of Liu Zaiwang, is the sole director of Beijing Jiangheyuan Holdings Co., Ltd.. The board of directors of Jangho Group Co., Ltd. is controlled by Beijing Jiangheyuan Holdings Co., Ltd. and therefore Beijing Jiangheyuan Holdings Co., Ltd. is deemed to be interested in the Shares held by Jangho Group Co., Ltd. under the SFO. Fu Haixia is the spouse of Liu Zaiwang and is therefore deemed to be interested in the shares that Mr. Liu is interested in under the SFO.

6. Sino Panda Group Limited is wholly and beneficially owned by Leung Chi Tien Steve and therefore Leung Chi Tien Steve is deemed to be interested in the shares held by Sino Panda Group Limited under the SFO.

7. Chan Siu Wan is the spouse of Leung Chi Tien Steve and is therefore deemed to be interested in the shares that Leung Chi Tien Steve is interested in under the SFO.

8. Gloryeild Enterprises Limited is wholly and beneficially owned by Sundart Holdings Limited and Sundart Holdings Limited is beneficially owned by Reach Glory International Limited as to approximately 69.50%. Reach Glory International Limited is wholly and beneficially owned by Jangho Hong Kong Holdings Limited.

9. Health Capital Enterprises Limited is wholly and beneficially owned by Gangyuan Architectural Decoration Hongkong Limited and Gangyuan Architectural Decoration Hongkong Limited is in turn wholly and beneficially owned by Gangyuan Architectural Decoration Engineering Co., Ltd.. Gangyuan Architectural Decoration Engineering Co., Ltd is beneficially owned by Beijing Jangho Chuangzhan Management Consulting Company Limited as to approximately 68.75% and Jangho Group Co., Ltd. as to approximately 26.25%. Beijing Jangho Chuangzhan Management Consulting Company Limited is in turn wholly and beneficially owned by Jangho Group Co., Ltd..

Save as disclosed above, our Directors are not aware of any shareholders (other than the Directors and chief executives of the Company) who has an interest or a short position in the shares which will be required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or would be, directly or indirectly, interested in 10% or more of any class of Shares carrying rights to vote in all circumstances at general meetings of any other member of the Group.

PRE-IPO SHARE OPTION SCHEME

The Company conditionally adopted a pre-IPO share option scheme pursuant to the written resolutions of all the shareholders passed on 11 June 2018 (the "Pre-IPO Share Option Scheme"). For details of the Pre-IPO Share Option Scheme, please refer to the Prospectus.

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

		Number of options					
Category of grantees	Date of grant	As at 1 January 2018	Granted during the Period	Exercised during the Period	Cancelled during the Period	Lapsed during the Period	As at 30 June 2018
Executive Director							
Mr. Siu Man Hei	15/06/2018	–	10,032,000	–	–	–	10,032,000
Senior management and other employees	15/06/2018	–	20,451,600	–	–	–	20,451,600
Total:		–	30,483,600	–	–	–	30,483,600

Except as set out above, no other options have been granted or agreed to be granted by us under the Pre-IPO Share Option Scheme during the Period.

SHARE OPTION SCHEME

The Company adopted a share option scheme pursuant to the written resolutions of all the shareholders passed on 11 June 2018. As at 30 June 2018, no share option under the share option scheme had been granted. For details of the share option scheme, please refer to the Prospectus.

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

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

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

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

SUFFICIENT OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this report, the Company has maintained a sufficient public float since the Listing Date up to the date of this report as required under the Listing Rules.

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 Listing Rules.

The Board confirms that the Company has complied with the mandatory code provisions in the Code since the Listing Date and up to the date of this report. 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 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 since the Listing Date and up to the date of this report.

USE OF PROCEEDS

The shares of the Company have been listed on the main board of the Stock Exchange since the Listing Date after the Period under review. The Directors intend to deploy the proceeds according to the manner set out in the Prospectus.

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.

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 which has not been audited yet. Members of the Audit Committee agree with the accounting treatments adopted in the preparation of the condensed consolidated interim financial statements.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

To the Board of Directors of Steve Leung Design Group Limited
梁志天設計集團有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Steve Leung Design Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

OTHER MATTERS

Without qualifying our review conclusion, we draw attention to the fact that the comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2017 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	NOTES	Six months ended 30 June **2018** **(Unaudited)** **HK$'000**	 2017 (Unaudited) HK$'000
Revenue	3	**223,494**	177,573
Cost of sales		**(115,873)**	(87,356)
Gross profit		**107,621**	90,217
Other gains and losses		**4,325**	(2,488)
Other income		**1,110**	766
Administrative expenses		**(67,465)**	(53,736)
Listing expenses		**(6,895)**	(3,811)
Finance costs		**(386)**	(96)
Profit before taxation		**38,310**	30,852
Income tax expense	4	**(13,143)**	(10,198)
Profit for the period	5	**25,167**	20,654
Other comprehensive (expense) income that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign operations		**(2,997)**	2,378
Total comprehensive income for the period		**22,170**	23,032
Profit for the period attributable to:			
– Owners of the Company		**24,939**	20,402
– Non-controlling interests		**228**	252
		25,167	20,654
Total comprehensive income for the period attributable to:			
– Owners of the Company		**21,926**	22,749
– Non-controlling interests		**244**	283
		22,170	23,032
Earnings per share (expressed in Hong Kong cents)			
Basic	7	**2.92**	2.39

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	NOTES	**30 June 2018 (Unaudited) HK$'000**	31 December 2017 (Audited) HK$'000
Non-current Assets			
Property, plant and equipment	8	**17,595**	10,941
Intangible assets		**4,379**	4,025
Goodwill		**1,279**	1,290
Deposits paid for acquisition of property, plant and equipment	9	**4,388**	6,659
Rental deposits	9	**2,376**	3,292
Deferred tax assets		**11,473**	8,293
		41,490	34,500
Current Assets			
Inventories		**1,309**	1,384
Trade receivables	9	**125,227**	49,044
Other receivables, deposits and prepayments	9	**31,522**	23,448
Contract assets	10	**76,885**	–
Amounts due from customers for contract works	10	**–**	110,371
Tax recoverable		**187**	466
Pledged bank deposits		**–**	1,004
Bank balances and cash		**85,594**	154,910
		320,724	340,627
Current Liabilities			
Trade payables	11	**7,958**	8,963
Other payables and accrued charges	11	**52,240**	84,378
Dividend payable		**–**	35,000
Bank borrowings	12	**20,000**	8,000
Contract liabilities	10	**31,290**	–
Amounts due to customers for contract works	10	**–**	5,334
Tax liabilities		**20,518**	26,151
		132,006	167,826
Net Current Assets		**188,718**	172,801
Total Assets less Current Liabilities		**230,208**	207,301
Capital and Reserves			
Share capital	13	**–**	–
Reserves		**221,870**	199,174
Equity attributable to owners of the Company		**221,870**	199,174
Non-controlling interests		**8,220**	7,976
Total Equity		**230,090**	207,150
Non-current Liability			
Deferred tax liabilities		**118**	151
		230,208	207,301

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000 (Note (a))	Merger reserve HK$'000 (Note (b))	Statutory reserve HK$'000 (Note (c))	Exchange reserve HK$'000	Long-term employee benefit reserve HK$'000 (Note (d))	Shareholder's contribution HK$'000 (Note (e))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017 (audited)	–	–	–	662	(9,182)	3,831	2,683	175,976	173,970	6,935	180,905
Profit for the period	–	–	–	–	–	–	–	20,402	20,402	252	20,654
Exchange differences arising on translation of foreign operations	–	–	–	–	2,347	–	–	–	2,347	31	2,378
Total comprehensive income for the period	–	–	–	–	2,347	–	–	20,402	22,749	283	23,032
Effect of group reorganisation	–	112,360	(112,360)	–	–	–	–	–	–	–	–
Reversal of shareholder's contribution	–	–	–	–	–	–	(2,683)	–	(2,683)	–	(2,683)
Recognition of equity settled long-term employee benefits	–	–	–	–	–	873	–	–	873	–	873
Acquisition of additional interest in a subsidiary (Note (f))	–	–	–	–	–	–	–	532	532	(541)	(9)
At 30 June 2017 (unaudited)	–	112,360	(112,360)	662	(6,835)	4,704	–	196,910	195,441	6,677	202,118
At 1 January 2018 (audited)	**-**	**95,662**	**(112,360)**	**2,951**	**1,261**	**5,371**	**43,119**	**163,170**	**199,174**	**7,976**	**207,150**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24,939**	**24,939**	**228**	**25,167**
Exchange differences arising on translation of foreign operations	**-**	**-**	**-**	**-**	**(3,013)**	**-**	**-**	**-**	**(3,013)**	**16**	**(2,997)**
Total comprehensive (expense) income for the period	**-**	**-**	**-**	**-**	**(3,013)**	**-**	**-**	**24,939**	**21,926**	**244**	**22,170**
Recognition of equity settled long-term employee benefits	**-**	**-**	**-**	**-**	**-**	**770**	**-**	**-**	**770**	**-**	**770**
At 30 June 2018 (unaudited)	**-**	**95,662**	**(112,360)**	**2,951**	**(1,752)**	**6,141**	**43,119**	**188,109**	**221,870**	**8,220**	**230,090**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2018

Notes:

(a) Share premium represents the difference between the nominal amount of the share capital issued by the Company and the aggregate of the nominal amount of the share capital and other reserves of SLD Group Holdings Limited, a subsidiary which was incorporated pursuant to the group reorganisation (the "Reorganisation") of the Group in connection with the listing of the shares of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as set out in the section headed "History, Development and Reorganisation" in the prospectus of the Company dated 22 June 2018 (the "Prospectus").

(b) Merger reserve represents the difference between the amount of share capital and share premium of the Company issued, and the share capital of Steve Leung Designers Limited ("SLDL") exchanged in connection with the Reorganisation.

(c) The articles of association of the Company's subsidiaries established in the People's Republic of China (the "PRC") state that they may make an appropriation of 10% of their profit for the year (prepared under generally accepted accounting principles in the PRC) each year to the statutory reserve until the balance reaches 50% of their paid-in capital. The statutory reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of their production and operation.

(d) The amount represents the recognition of the equity settled long-term employee benefit scheme of a subsidiary of the Company in respect of "Share-linked Bonus and Share Conversion Scheme" (the "Conversion Scheme"), details of which are set out in note 18.

(e) (i) As at 30 June 2018, the amount represents the contribution from a shareholder pursuant to the sale and purchase agreement of SLDL Acquisition as defined in the section headed "History, Development and Reorganisation" in the Prospectus. The seller (who is also the non-controlling shareholder of SLDL) had guaranteed a certain level of profit of SLDL for the three years ended 31 December 2016 and the Group will receive from the seller 50% of the shortfall of actual profit generated by SLDL with the guarantee profit as contribution. An approximate amount of HK$43,119,000 was confirmed by shareholders of SLDL and the amount was received and recognised by the Group as a shareholder 's contribution on 24 November 2017.

(ii) As at 1 January 2017, the amount represents the contributions for the long-term employee benefit scheme of a subsidiary of the Company in respect of "Three-Year Loyalty Incentive Scheme" (the "Loyalty Incentive Scheme"). The contributions have been reversed during the six months ended 30 June 2017. Details are set out in note 18.

(f) During the six months ended 30 June 2017, the Group acquired 1% additional interest in Steve Leung Interior Design (Beijing) Limited from a non-controlling shareholder of a subsidiary for a consideration of RMB7,000 (equivalent to approximately HK$9,000). The difference between the cash consideration paid and the carrying amount of the net assets attributable to the additional interest assumed from the non-controlling shareholder of HK$532,000 is credited to retained profits.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	**44,738**	40,254
Increase in trade receivables	**(25,685)**	(6,447)
Increase in other receivables, deposits and prepayments	**(7,984)**	(5,703)
Increase in contract assets	**(22,959)**	–
Increase in amounts due from customers for contract works	**–**	(27,802)
Decrease in other payables and accrued charges	**(7,779)**	(9,876)
Increase in contract liabilities	**1,715**	–
Increase in amounts due to customers for contract works	**–**	5,487
Movements in other working capital	**(884)**	110
Income taxes paid	**(20,534)**	(6,656)
Interest paid	**(386)**	(96)
NET CASH USED IN OPERATING ACTIVITIES	**(39,758)**	(10,729)
INVESTING ACTIVITIES		
Interest received	**239**	195
Additions to property, plant and equipment	**(7,825)**	(1,250)
Proceeds from disposal of property, plant and equipment	**91**	256
Additions to intangible assets	**(1,006)**	(310)
Repayment to a fellow subsidiary on remaining consideration of acquisition of a subsidiary	**–**	(8,196)
Withdrawal of pledged bank deposits	**1,004**	–
NET CASH USED IN INVESTING ACTIVITIES	**(7,497)**	(9,305)
FINANCING ACTIVITIES		
Dividend paid	**(35,000)**	–
Acquisition on additional interest in subsidiaries	**–**	(9)
New bank borrowings raised	**20,000**	23,500
Repayments of bank borrowings	**(8,000)**	(25,000)
Repayment to a fellow subsidiary	**–**	(85)
NET CASH USED IN FINANCING ACTIVITIES	**(23,000)**	(1,594)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(70,255)**	(21,628)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**154,910**	126,337
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**939**	303
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**85,594**	105,012

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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 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, whereas the directors of the Company consider that the Company's ultimate holding company is Jangho Group Co., Ltd., a company incorporated in PRC with its shares listed on the Shanghai Stock Exchange.

Pursuant to the Reorganisation as set out in the section headed "History, Development and Reorganisation" in the Prospectus, the Company and SLD Group Holdings Limited, a direct wholly-owned subsidiary of the Company, were interspersed between SLDL 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 condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group which include the results, changes in equity and cash flows of the companies comprising the Group for the six months ended 30 June 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 period, or since their respective dates of incorporation or establishment, where it is a shorter period.

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.

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"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the accountants' report in the Prospectus.

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATION

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs and Interpretation issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

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

The new and amendments to HKFRSs and Interpretation have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATION (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group has applied HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

- service revenue from provision of interior design services, interior decorating and furnishing design service and product design service;
- license fee income from license arrangement; and
- trading income from sales of interior decorative products.

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.

Service revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation using input method as the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

License fee revenue for granting the right to use the Group's intellectual property is recognised when the performance obligation is satisfied at a point in time at which the license is granted to the customer.

Trading income is recognised at a point in time when the customers obtains control of the distinct good or service.

2.1.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATION (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

2.1.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 15 (CONTINUED)

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

CONTRACTS WITH MULTIPLE PERFORMANCE OBLIGATIONS (INCLUDING ALLOCATION OF TRANSACTION PRICE)

For contracts that contain more than one performance obligations (provision of design services and sales of goods), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATION (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

2.1.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 15 (CONTINUED)

OVER TIME REVENUE RECOGNITION: MEASUREMENT OF PROGRESS TOWARDS COMPLETE SATISFACTION OF A PERFORMANCE OBLIGATION

INPUT METHOD

The progress towards complete satisfaction of a performance obligation of design service is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

2.1.2 SUMMARY OF EFFECTS ARISING FROM INITIAL APPLICATION OF HKFRS 15

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

	Notes	Carrying amounts previously reported as at 31 December 2017 HK$'000	Reclassification HK$'000	Carrying amounts under HKFRS 15 as at 1 January 2018* 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 works	(a)	110,371	(110,371)	–
Current Liabilities				
Other payables and accrued charges	(b)	84,378	(12,331)	72,047
Amounts due to customers for contract works	(a)	5,334	(5,334)	–
Contract liabilities	(a)(b)	–	17,665	17,665

* The Group recognised the cumulative effect of initially applying HKFRS 15 as a reclassification to the opening balance 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 HKFRS15.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATION (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

2.1.2 SUMMARY OF EFFECTS ARISING FROM INITIAL APPLICATION OF HKFRS 15 (CONTINUED)

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018. The application of HKFRS 15 has no material impact on the Group's condensed 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 condensed consolidated statement of financial position

	As reported HK$'000	Reclassification HK$'000	Amounts without application of HKFRS 15 HK$'000
Current Assets			
Trade receivables	125,227	(52,221)	73,006
Contract assets	76,885	(76,885)	–
Amounts due from customers for contract works	–	129,106	129,106
Current Liabilities			
Other payables and accrued charges	52,240	24,330	76,570
Contract liabilities	31,290	(31,290)	–
Amounts due to customers for contract works	–	6,960	6,960

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 FINANCIAL INSTRUMENTS

In the current period, 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) 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, if any, 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.*

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATION (CONTINUED)

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

2.2.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 9

CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. All of the Group's financial assets previously classified as loans and receivables under HKAS 39 continued to be measured at amortised cost under HKFRS 9. There is no changes in classification and measurement on the Group's financial assets upon the application of HKFRS 9.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATION (CONTINUED)

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

2.2.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 9 (CONTINUED)

IMPAIRMENT UNDER ECL MODEL

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, bank balances and cash, and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings based on their historical default rates which are adjusted for forward-looking estimates.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

SIGNIFICANT INCREASE IN CREDIT RISK

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATION (CONTINUED)

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

2.2.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 9 (CONTINUED)

IMPAIRMENT UNDER ECL MODEL (CONTINUED)

SIGNIFICANT INCREASE IN CREDIT RISK (CONTINUED)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external credit rating (if available);
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND INTERPRETATION (CONTINUED)

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 FINANCIAL INSTRUMENTS (CONTINUED)

2.2.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 9 (CONTINUED)

IMPAIRMENT UNDER ECL MODEL (CONTINUED)

MEASUREMENT AND RECOGNITION OF ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 2.2.2.

2.2.2 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 trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and ageing categories. 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 concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, and bank balances and cash, are measured on 12m ECL basis and 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.

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

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 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 six months ended 30 June 2018 and 30 June 2017 are as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Service revenue	**195,730**	169,291
License fee revenue	**987**	1,285
Trading income	**26,777**	6,997
	223,494	177,573

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 with reference to the nature of the services provided or goods sold, for the purpose of reporting to the chief operating decision makers, 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 and license arrangement for 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

DISAGGREGATION OF REVENUE

	Six months 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 the Group's 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 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**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

SEGMENT REVENUE AND RESULTS (CONTINUED)

	Interior design services HK$'000	Interior decorating and furnishing services HK$'000	Products design services HK$'000	Total HK$'000
For the six months ended 30 June 2017 (unaudited)				
Revenue				
Segment revenue from external customers	157,723	18,114	1,736	177,573
Results				
Segment results	32,375	3,329	620	36,324
Unallocated expenses				(592)
Interest income				195
Depreciation of certain property, plant and equipment				(1,251)
Loss on disposals of property, plant and equipment				(13)
Listing expenses				(3,811)
Profit before taxation				30,852

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	**95**	525
PRC Enterprise Income Tax	**16,161**	9,372
	16,256	9,897
Underprovision in prior years:		
Hong Kong Profits Tax	**170**	2,100
PRC Enterprise Income Tax	**–**	28
	170	2,128
Deferred taxation	**(3,283)**	(1,827)
	13,143	10,198

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

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 qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The two-tiered profits tax rates regime will be applicable to SLDL for its annual reporting periods ending 31 December 2018.

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.

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.

Deferred tax for both periods arose from temporary differences arising from accelerated tax depreciation, allowances for doubtful debts, accrued bonus, accrued contract expenses, provision for contract assets/amounts due from customers for contract works, tax losses and fair value adjustment on business acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

5. PROFIT FOR THE PERIOD

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets		
– included in cost of sales	**450**	1,012
– included in administrative expenses	**79**	113
	529	1,125
Cost of inventories recognised as an expense	**17,395**	6,453
Depreciation of property, plant and equipment	**3,050**	2,940
Exchange gain, net	**(5,334)**	(373)
Loss on disposal of property, plant and equipment	**200**	13
Impairment loss recognised in respect of trade receivables	**809**	2,848

6. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

Included in the dividend payable in the condensed consolidated statement of financial position as at 31 December 2017 is an amount of HK$24,500,000 payable by SLDL to the shareholders on the register of members of SLDL on 31 December 2016 and an amount of HK$10,500,000 payable by the Company to its shareholders. Such dividend was paid during the current interim period.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK$24,939,000 (six months ended 30 June 2017: HK$20,402,000) and on 855,000,000 shares (six months ended 30 June 2017: 855,000,000 shares) on assumption that the Reorganisation and the Capitalisation Issue (as defined and detailed in note 19) had been effective on 1 January 2017.

No diluted earnings per share have been presented as there were no potential ordinary shares in issue for both periods.

8. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired property, plant and equipment of HK$10,096,000 (for the six months ended 30 June 2017: HK$1,250,000), mainly comprised of leasehold improvements and office equipment, for business operations and expansion.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

9. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
Trade receivables	**139,203**	62,336
Less: allowances for doubtful debts	**(13,976)**	(13,292)
	125,227	49,044

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

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
0 to 30 days	**78,037**	14,513
31 to 90 days	**25,153**	13,866
91 to 180 days	**8,345**	8,937
Over 180 days	**13,692**	11,728
	125,227	49,044

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 interior design services and product design services, and trading of interior decorative products.

As at 30 June 2018, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$125,227,000 (31 December 2017: 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. The directors of the Company are of the opinion that there has not been a significant change in credit quality and the balances were still considered fully recoverable due to the long-term/on-going relationship and good repayment record from these customers.

Since the adoption of HKFRS 9 on 1 January 2018, the Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and ageing categories.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

9. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Movement in the allowance for doubtful debt

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
At the beginning of the period/year	**13,292**	7,604
Allowance recognised in profit or loss	**809**	7,186
Amounts written-off as uncollectible	**–**	(69)
Impairment losses reversed	**–**	(2,146)
Exchange realignments	**(125)**	717
At the end of the period/year	**13,976**	13,292

The following is the analysis of other receivables, deposits and prepayments at the end of each reporting period.

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
Other receivables	**15,487**	7,312
Prepayments of expenses	**5,065**	5,041
Deferred issue costs	**6,673**	6,440
Rental deposits	**5,876**	7,050
Deposits paid for acquisition of property, plant and equipment	**4,388**	6,659
Other deposits	**797**	897
	38,286	33,399
Analysed as:		
Current	**31,522**	23,448
Non-current – Deposits paid for acquisition of property, plant and equipment	**4,388**	6,659
Non-current – Rental deposits	**2,376**	3,292
	38,286	33,399

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

10. CONTRACT ASSETS (LIABILITIES) AND AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORKS

	At 30 June 2018 HK$'000 (Unaudited)
Contract assets	
Interior design services	68,031
Interior decorating and furnishing design services	8,056
Product design services	798
	76,885

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.

	At 30 June 2018 HK$'000 (Unaudited)
Contract liabilities	
Interior design services	8,421
Interior decorating and furnishing design services	22,869
	31,290

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

	At 31 December 2017 HK$'000 (Audited)
Contracts in progress at the end of the reporting period:	
Contract costs incurred plus recognised profits less recognised losses to date	768,655
Less: Progress billings	(663,618)
	105,037
Analysed for reporting purpose as:	
Amounts due from customers for contract works	110,371
Amounts due to customers for contract works	(5,334)
	105,037

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

11. 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:

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
0 to 180 days	**6,094**	7,557
Over 180 days	**1,864**	1,406
	7,958	8,963

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

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'000 (Audited)
Accrued staff benefits	**22,265**	38,572
Deposits received from customers	**20,298**	32,537
Liability associated with long-term employee benefit	**2,853**	5,372
Other payables and accrued charges	**5,673**	5,745
Listing expenses and issue costs payable	**1,151**	2,052
Receipts in advance	**–**	100
	52,240	84,378

12. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to HK$20,000,000 (six months ended 30 June 2017: HK$23,500,000). As at 30 June 2018, the loans carry interest at variable market rates of 5.17% per annum (31 December 2017: 4.24% per annum) and are repayable one year within the end of the reporting period. The bank borrowings of HK$8,000,000 as at 31 December 2017 was fully repaid during the six months ended 30 June 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

13. SHARE CAPITAL

Share capital of the Group at 1 January 2017 represents the aggregate paid up capital of the Company and SLDL, 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 2017 (audited) and 30 June 2018 (unaudited) represents share capital of the Company.

	Number of shares		
	Authorised	**Issued and fully paid**	**HK$**
Ordinary shares of the Company of HK$0.01 each			
At 1 January 2017	39,000,000	100	1
Issued on 21 April 2017 for acquisition of SLDL	–	900	9
At 31 December 2017 and 30 June 2018	**39,000,000**	**1,000**	**10**

14. PLEDGE OF ASSETS

As at 30 June 2018 and 31 December 2017, the Group's bank borrowings are secured by the floating charge over all receivables of certain subsidiaries.

As at 31 December 2017, the Group's bank borrowings were secured by pledged bank deposits of HK$1,004,000.

15. CAPITAL COMMITMENTS

	At 30 June 2018 HK$'000 (Unaudited)	At 31 December 2017 HK$'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	**2,622**	6,222

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

16. RELATED PARTY TRANSACTIONS

The Group has entered into the following transactions with its related parties during the periods:

Company	Relationship	Nature of transaction	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
1957 & Co (Management) Ltd	Related company (Note 1)	Interior design service income	**319**	1,028
Art Union Limited	Related company (Note 1)	Rental income	**–**	60
Jangho Hong Kong Holdings Limited	Intermediate holding company	Rental income	**–**	30
Mango Tree (HK) Limited	Related company (Note 1)	Interior design service income	**–**	105
成都江河創建實業有限公司	Fellow subsidiary	Interior design service income	**190**	–
北京港源建築裝飾工程有限公司	Fellow subsidiary	Interior design service income	**2,583**	2,133
		Rental income	**906**	262
北京江河幕牆系統實業有限公司	Fellow subsidiary	Interior design service income	**27**	–
北京順義產業投資基金管理有限公司	Fellow subsidiary	Interior design service income	**119**	–
岳陽富登置業有限公司	Fellow subsidiary	Interior design service income	**78**	–

Note:

1. Leung Chi Tien Steve, a director of SLDL and a shareholder of the Company holds beneficial interests over these related companies.

The bank borrowings as at 30 June 2018 and 31 December 2017 were guaranteed by the immediate holding company and a non-controlling shareholder of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

16. RELATED PARTY TRANSACTIONS (CONTINUED)

COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Basic salaries, allowance and other benefits	**6,883**	6,783
Discretionary bonus	**3,858**	3,782
Retirement benefits scheme contributions	**339**	315
	11,080	10,880

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

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

18. LONG-TERM EMPLOYEE BENEFITS

The Group adopted Loyalty Incentive Scheme and Conversion Scheme on 26 November 2014 for the purpose of enhancing the stability and the sense of belonging of the selected employees.

LOYALTY INCENTIVE SCHEME

Under the Loyalty Incentive Scheme, eligible employees may, at their discretion, deposit up to 50% of their respective year-end bonus for the years ended 31 December 2014, 31 December 2015 and/or 31 December 2016 (the "Accumulated Bonus") with the Group for a term of 24 months commencing from 31 December of the relevant years (the "Accumulation Period") (i.e. until 31 December 2016, 31 December 2017, and/or 31 December 2018). Subject to the participation of the Conversion Scheme by the relevant employees, the Group will pay to the employees who participated in the Loyalty Incentive Scheme the Accumulated Bonus plus a doubled amount (the "Incentive Bonus") within 14 days after the expiry of the relevant Accumulation Period.

During the six months ended 30 June 2018, the Group recognised total expense of HK$923,000 (six months ended 30 June 2017: HK$1,702,000) in relation to the Incentive Bonus granted under the Loyalty Incentive Scheme. As at 30 June 2018, the amounts to be borne by SLDL included in the condensed consolidated statements of financial position as "liabilities associated with long-term employee benefits" under other payables and accrued charges are HK$2,853,000 (31 December 2017: HK$5,372,000). During the period ended 30 June 2017, SLDL has agreed to bear all the Incentive Bonus paid and payable. The unpaid amount of HK$2,683,000 previously recognised as shareholder's contribution has been reversed with a corresponding recognition of a liability associated with long-term employee benefits.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2018

18. LONG-TERM EMPLOYEE BENEFITS (CONTINUED)

CONVERSION SCHEME

Eligible employees may also, at their discretion, participate in the Conversion Scheme for the years ended 31 December 2014, 31 December 2015 and 31 December 2016. Pursuant to the Conversion Scheme, the eligible employees may subscribe the awarded shares in SLDL in January 2017 at the discounted exercise price of HK$2,500,000 per 1% of the issued share capital of SLDL from the shareholders of the Company based on the amount he/she is entitled to (including the original deposited sum and the return) under the Loyalty Incentive Scheme. Such awarded shares will be vested and transferred from the shareholders to the employees in January 2022. No awarded share in SLDL was subscribed since 1 January 2017.

The total number of shares which may be awarded under the Conversion Scheme is not permitted to exceed 15% of the shares of SLDL in issue at any point in time, without prior approval from the SLDL's shareholders. The number of shares awarded and to be transferred from the shareholders to the employees under the Conversion Scheme and may be granted to any individual in any one year is not permitted to exceed 1.5% of the shares of SLDL in issue at any point in time, without prior approval from the SLDL's shareholders.

As at 31 December 2014, 31 December 2015 and 31 December 2016, the number of shares in respect of which the Conversion Scheme had been awarded were 2.97, 2.29 and 0.44 respectively, representing 2.97%, 2.29% and 0.44% of the shares of SLDL in issue at those dates. The estimated total fair values of the shares in respect of which the Conversion Scheme had been awarded on 31 December 2014, 31 December 2015 and 31 December 2016 are HK$7,427,000, HK$5,723,000 and HK$1,111,000 respectively, which is determined with reference to the consideration for SLDL Acquisition as defined in the section headed "History, Development and Reorganisation" in the Prospectus.

During the six months ended 30 June 2018, the Group recognised total expense of HK$770,000 (six months ended 30 June 2017: HK$873,000) in relation to the Conversion Scheme and accumulated in equity under the heading of "long-term employee benefit reserve".

19. EVENTS AFTER THE REPORTING PERIOD

(i) Pursuant to the resolution of the shareholders of the Company passed on 11 June 2018, the Company allotted and issued a total of 854,999,000 shares, credited as fully paid at par, on the Listing Date by way of capitalisation of the sum of HK$8,549,990 standing to the credit of the share premium account of the Company (the "Capitalisation Issue"). This Capitalisation Issue was conditional on the share premium account being credited as a result of the issue of new shares to the public in connection with the Company's initial public offering as detailed in note (ii) below.

(ii) In connection with the listing of the Company's shares on the Stock Exchange, 285,000,000 new shares were issued at a price of HK$0.88 per share for a total cash consideration, before expenses, of HK$250,800,000. Dealings in the shares on the Stock Exchange commenced on the Listing Date.

(iii) Pursuant to the settlement plan in relation to the Conversion Scheme set out in "History, Development and Reorganisation" in the Prospectus: (i) the Conversion Scheme was terminated and replaced by the Pre-IPO Share Option Scheme; (ii) the entitlement of dividend rights and shares of SLDL of the eligible participant under the Conversion Scheme was replaced by the Pre-IPO Share Options granted to them; and (iii) all the rights, benefits and claims of the eligible participant under the Conversion Scheme were terminated on the Listing Date. The Pre-IPO Share Options are issued at a fair value that is broadly consistent with the fair value of the Conversion Scheme determined at replacement date. The Group is in the process of assessing the financial impact.