SLD

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

INTERIM REPORT 2019

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 2262

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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)
HUANG Jianhong (Appointed on 23rd January 2019)
XIE Jianyu (Resigned on 23rd January 2019)

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

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,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of STEVE LEUNG DESIGN GROUP LIMITED 梁志天設計集團有限公司 (the "**Company**", together with its subsidiaries, the "**Group**"), I am delighted to present to you our interim report for the six months ended 30 June 2019 (the "**Period**").

In the first half of 2019, the escalating China-U.S. trade friction and a highly volatile global economy have been the salient features of the macroeconomic environment. At the same time, the domestic environment had faced transformation and adjustment of the socioeconomic structure which have presented some transient pain. "Home" sparks a particularly evocative emotion in peoples' mind amidst such internal and external challenges. Despite the ups and downs of the surroundings and the changes of the times, the distinctiveness of "Home" is everlasting. Quality interior designs can create a more comfortable, welcoming and warmer home in sheltering us from high-tides in our life.

The Group adheres to the "people-oriented" philosophy and provides our clients with top-notch interior design and interior decorating and furnishing services. We plan to further develop the concept of "Design without Limits" as we proactively prepare for the launch of the new brand of "SL2.0". "SL2.0" is to focus on providing interior design and interior decorating and furnishing services with innovative, energetic, stylish and ergonomic design concepts to middle-to-high-end residential projects at competitive prices to promote the idea that "quality design is no longer a luxury".

This development direction of "SL2.0" corresponds to the property market development and trends in the People's Republic of China ("**PRC**"). Within the trends of an expanding younger consumer base and downsizing living space as well as the wider pursuit of quality of life, the middle-to-high-end market and small to medium-sized flats are highly sought after. "SL2.0" is aiming at making great strides in expanding the business on the competitive industry battleground, advancing in step with the traditional business of the Company.

Leveraging our solid foundation in the high-end market, extensive experience and well-established reputation in the interior design industry, we have faith that "SL2.0" will be able to excel among its peers and capture shares in the middle-to-high-end market. Although "SL2.0" is yet to be officially launched, its ability to attract clients is clearly evident as seen in the considerable contracts awarded so far.

Looking ahead to the second half of the year, the global and domestic economic environment remains uncertain. The overall market is expected to be under pressure as a result of the PRC government's tightening control of financing channels for real estate enterprises since the second quarter of this year. Fortunately, the continuance of urbanisation provides room for development to the property industry. Furthermore, factors such as policies easing curbs on the real estate sector in some cities and the strong demand for quality interior design in the Guangdong-Hong Kong-Macao Greater Bay Area have spurred the stable development of the interior design industry and subsequently the overall business of the Group.

We are confident that, being a quality benchmark of interior design in the high-end market and as a result of our commitment to expand into the middle-to-high-end market, the business performance in the second half of 2019 will improve and we will deliver more and cosier homes to the community and creating greater value for our Shareholders.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to our Shareholders, clients, business partners and professional parties for their full and steadfast support.

XU Xingli
Chairman
19 August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

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

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

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

FINANCIAL AND BUSINESS REVIEW

OVERALL PERFORMANCE

During the Period, the Group has recorded a total revenue of approximately HK$221.5 million (for the six months period ended 30 June 2018 (the "**Previous Period**"): approximately HK$223.5 million), represented a slight decrease of 0.9%. Gross profit dropped by 28.2% to approximately HK$77.3 million (Previous Period: HK$107.6 million), and gross profit margin declined by 13.2 percentage point to 34.9% (Previous Period: 48.1%). Profit attributable to owners of the Company decreased from approximately HK$24.9 million to a net loss of approximately HK$8.6 million.

Revenue and Gross Profit by Segment

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

INTERIOR DESIGN SERVICES

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

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

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

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

INTERIOR DECORATING AND FURNISHING SERVICES

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

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

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

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

PRODUCT DESIGN SERVICES

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

INTRODUCING THE NEW DESIGN LINE – SL2.0

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OUTLOOK AND PROSPECTS

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

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

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

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

Through years of efforts, the Group has established a strong brand equity and clientele in the interior design industry. With its proven design capabilities, decades of operational excellence, and widely-recognised status among property developers, the Group remains cautiously optimistic in navigating through the volatile operating environment and gaining greater market share in the interior design market. The Group will also continue to explore different business opportunities in order to create value for our Shareholders.

CORPORATE FINANCE AND RISK MANAGEMENT

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2019, the Group's total debt (representing total interest-bearing borrowings excluding lease liabilities arising from the adoption of Hong Kong Financial Reporting Standards ("**HKFRS**") 16) to total asset ratio was approximately 0.9% (as at 31 December 2018: 3.4%). The gearing ratio (net debt excluding lease liabilities arising from the adoption of HKFRS 16 to equity attributable to owners of the Company) was approximately 1.3% (as at 31 December 2018: approximately 4.4%) as the Group has net cash (bank balances and cash less total debt) of approximately HK$241.2 million as at 30 June 2019 (as at 31 December 2018: net cash approximately HK$263.2 million).

The bank borrowings of the Group were mainly contributed by the bank borrowings for financing our daily operation and our equity capital raising expenses. The bank borrowings of approximately HK$4.5 million as at 30 June 2019 were secured by a pledged bank deposit as disclosed in note 15 to the condensed consolidated interim financial statements. The borrowings of approximately HK$20 million as at 31 December 2018 were secured by corporate guarantee of the Company, with one year term from draw down date and fully repaid in January 2019 by the net proceeds from the Global Offering as stated in the prospectus of the Company dated 22 June 2018 (the "**Prospectus**") and operation cash. Further costs for operations and expansion will be partially financed by our unutilised bank facilities.

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

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

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group did not have any significant contingent liabilities as at the end of the Period. For capital commitments, please refer to note 16 to the condensed consolidated interim financial statements.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND INTEREST RATES AND CORRESPONDING HEDGING ARRANGEMENT

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

CREDIT RISK EXPOSURE

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

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

RISK MANAGEMENT

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

EVENTS AFTER THE REPORTING PERIOD

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

EMPLOYEES AND REMUNERATION POLICIES

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

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

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

As at 30 June 2019, 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 30 June 2019, 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

As at 30 June 2019, 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	Long	Beneficial owner	598,500,000	52.50%
Peacemark Enterprises Limited *(Note 2)*	Long	Interest in controlled corporation	598,500,000	52.50%
Jangho Hong Kong Holdings Limited *(Note 3)*	Long	Interest in controlled corporation	598,500,000	52.50%
Jangho Group Co., Ltd *(Note 4)*	Long	Interest in controlled corporation	598,500,000	52.50%
北京江河源控股有限公司 (Beijing Jiangheyuan Holdings Co., Ltd.) *(Note 5) (Note 6)*	Long	Interest in controlled corporation	598,500,000	52.50%
Mr. Liu Zaiwang *(Note 6)*	Long	Interest in controlled corporation	598,500,000	52.50%
Ms. Fu Haixia *(Note 7)*	Long	Interest of spouse	598,500,000	52.50%
Sino Panda Group Limited	Long	Beneficial owner	256,500,000	22.50%
Mr. Leung Chi Tien Steve *(Note 8)*	Long	Interest in controlled corporation	256,500,000	22.50%
Ms. Chan Siu Wan *(Note 9)*	Long	Interest of spouse	256,500,000	22.50%
Gloryeild Enterprises Limited *(Note 10)*	Long	Interest in 10% or more of shares	171,000,000	15.00%
Sundart Holdings Limited *(Note 11)*	Long	Interest in 10% or more of shares	171,000,000	15.00%
Reach Glory International Limited *(Note 12)*	Long	Interest in 10% or more of shares	118,845,000	10.43%
Health Capital Enterprises Limited *(Note 13)*	Long	Interest in 10% or more of shares	171,000,000	15.00%
Gangyuan Architectural Decoration Hongkong Limited *(Note 14)*	Long	Interest in 10% or more of shares	171,000,000	15.00%
北京港源建築裝飾工程有限公司 (Gangyuan Architectural Decoration Engineering Co., Ltd.) *(Note 15)*	Long	Interest in 10% or more of shares	171,000,000	15.00%
北京江河創展管理諮詢有限公司 (Beijing Jangho Chuangzhan Management Consulting Company Limited) *(Note 16)*	Long	Interest in 10% or more of shares	117,562,500	10.31%

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Notes:

1. On the basis of 1,140,039,000 Shares in issue as at 30 June 2019.

2. Eagle Vision Development Limited ("**Eagle Vision**") is beneficially owned as to approximately 42.86% by Peacemark Enterprises Limited ("**Peacemark Enterprises**") and therefore Peacemark Enterprise is deemed to be interested in the shares held by Eagle Vision under the SFO.

3. Peachmark Enterprises is wholly and beneficially owned by Jangho Hong Kong Holdings Limited ("**Jangho HK**") and therefore Jangho HK is deemed to be interested in the shares indirectly held by Peacemark Enterprises through Eagle Vision under the SFO.

4. Jangho HK is wholly and beneficially owned by Jangho Group Co., Ltd. ("**Jangho Co.**") and therefore Jangho Co. is deemed to be interested in the shares indirectly held by Jangho HK through Peacemark Enterprises and Eagle Vision under the SFO.

5. Ms. Fu Haixia ("**Ms. Fu**"), the spouse of Mr. Liu Zaiwang ("**Mr. Liu**"), is the sole director of Beijing Jiangheyuan Holdings Co., Ltd. ("**Jiangheyuan**"). The board of directors of Jangho Co is controlled by Jiangheyuan and therefore Jiangheyuan is deemed to be interested in the shares held by Jangho Co through Jangho HK, Peacemark Enterprises and Eagle Vision under the SFO.

6. Jangho Co. is beneficially owned as to approximately 27.35% by Jiangheyuan (a company which is 85% and 15% beneficially owned by Mr. Liu and his spouse Ms. Fu, respectively) and beneficially owned as to approximately 23.25% by Mr. Liu and therefore, Mr. Liu is deemed to be interested in the shares indirectly held by Jangho Co. through Jangho HK, Peacemark Enterprises and Eagle Vision under the SFO.

7. Ms. Fu is the spouse of Mr. Liu and is therefore deemed to be interested in the shares that Mr. Liu is interested in under the SFO.

8. Sino Panda Group Limited ("**Sino Panda**") is wholly and beneficially owned by Mr. Leung Chi Tien Steve ("**Mr. Steve Leung**") and therefore Mr. Steve Leung is deemed to be interested in the shares held by Sino Panda under the SFO.

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

10. Eagle Vision was beneficially owned as to approximately 28.57% by Gloryeild Enterprises Limited ("**Gloryeild Enterprises**"). As such, the Company is indirectly owned as to 15.00% by Gloryeild Enterprises as at the date of this report.

11. Gloryeild Enterprises was wholly and beneficially owned by Sundart Holdings Limited ("**Sundart Holdings**"). As such, the Company is indirectly owned as to approximately 15.00% by Sundart Holdings as at the date of this report.

12. Sundart Holdings was beneficially owned as to approximately 69.50% by Reach Glory International Limited ("**Reach Glory**"). As such, the Company is indirectly owned as to approximately 10.43% by Reach Glory as at the date of this report.

13. Eagle Vision was beneficially owned as to approximately 28.57% by Health Capital Enterprises Limited ("**Health Capital**"). As such, the Company is indirectly owned as to 15.00% by Health Capital as at the date of this report.

14. Health Capital was wholly and beneficially owned by Gangyuan Architectural Decoration Hongkong Limited ("**Gangyuan HK**"). As such, the Company is indirectly owned as to approximately 15.00% by Gangyuan HK as at the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

15. Gangyuan HK was wholly and beneficially owned by Gangyuan Architectural Decoration Engineering Co., Ltd. ("**Gangyuan Decoration**"). As such, the Company is indirectly owned as to approximately 15.00% by Gangyuan Decoration as at the date of this report.

16. Gangyuan Decoration was beneficially owned as to 68.75% by Beijing Jangho Chuangzhan Management Consulting Company Limited ("**Jangho Chuangzhan**"). As such, the Company is indirectly owned as to approximately 10.31% by Jangho Chuangzhan as at the date of this report.

Save as disclosed above, our Directors are not aware of any shareholders (other than the Directors and chief executives of the Company) who, as at the date of this report, 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

On 11 June 2018, the Company conditionally adopted a pre-IPO share option scheme ("**Pre-IPO Share Option Scheme**") for the primary purpose of recognising the contribution of certain senior management, employers, consultants and other contributors of the Group ("**Participants**") have made or may have been made to the growth of the Group.

The subscription price for any share under the Pre-IPO Share Option Scheme shall be an amount equal to 50% discount to the mid-point of the price of the IPO, i.e. HK44 cents.

An offer of the grant of an option shall be deemed to have been accepted and such option to which such offer related shall be deemed to have been granted and to have taken effect when the duplicate letter comprising acceptance of such offer duly signed by the grantee with the number of shares in respect of which such offer is accepted clearly stated therein, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company. Such remittance shall in no circumstances be refundable. Once accepted, the option is granted as from the offer date.

The grantees may only exercise their options no more than 20% of the total number of underlying shares under the options granted to such grantee every 12 months and the outstanding and unexercised Pre-IPO Share Options at the end of each vesting period may be rolled over to the next vesting period and exercisable during the option period.

The Pre-IPO Share Option Scheme was expired on the Listing Date, i.e. 5 July 2018. Save for the options which have been granted before the Listing date, no further options were or will be granted under the Pre-IPO Share Option Scheme on or after the Listing Date.

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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 2019**	**Exercised during the Period**	**Cancelled during the Period**	**As at 30 June 2019**
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	(39,000)	(166,200)	20,246,400
Total:		30,483,600	(39,000)	(166,200)	30,278,400

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

On 11 June 2018, The Company adopted a share option scheme ("**Scheme**") for the primary purpose of motivating the Eligible Persons (as defined below) to optimise their future contributions to the Group and/or to reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), enabling the Group to attract and retain individuals with experience and ability and/or rewarding them for their past contributions. Subject to the terms of the Scheme, the Board shall be entitled at any time during the life of the Scheme to offer the grant of any options ("**Options**") to subscribe for such number of shares to any Eligible Person as the Board may in its absolute discretion select. The basis of eligibility shall be determined by the Board from time to time.

Persons satisfying any of the following ("**Eligible Persons**") may be offered with Options by the Board, at its absolute discretion:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group ("**Executive**");

(b) any proposed employee, any full-time of part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group;

(c) a director or proposed director (including an independent non-executive director) of any member of the Group;

(d) a direct or indirect shareholder of any member of the Group;

(e) a supplier of goods or services to any member of the Group;

(f) a client, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;

(g) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and

(h) an associate (as defined in the Listing Rules) of any of the persons referred to in paragraphs (a) to (g) above.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

The Board shall set out in the offer the terms on which the option is to be granted. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. No options shall be granted under the Scheme at any time if such grant shall result in the scheme limit being exceeded.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the Listing Date (i.e. 114,000,000 shares). The Company may seek approval of its shareholders in general meeting for refreshing such 10% limit.

The maximum number of shares issued and to be issued upon exercise of the options granted to each Eligible Person (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the shares in issue from time to time. Any further grant of Options in excess of this limit is subject to shareholders' approval in a general meeting.

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

An offer for the grant of option must be accepted within 28 days from the offer date. Options granted shall be taken up upon payment of HK$1 as consideration for the grant of Option. Options may be exercised at any time from the date which Option is deemed to be granted and accepted and expired on the date as the Board in its absolute discretion determine and which shall not exceeding a period of 10 years from the date on which the Options are deemed to be granted and accepted but subject to the provisions for early termination thereof contained in the Scheme.

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

The Scheme shall be valid and effective for a period of 10 years commencing from 11 June 2018. No share options were granted, forfeited or expired during the Period.

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 during the Period 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 during the Period 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 (the "**Model Code**"). Having made specific enquiries, all directors and relevant employees of the Group confirmed that they have complied with the Securities Code and the Model Code since the Listing Date and up to the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

USE OF PROCEEDS

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

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

AUDIT COMMITTEE REVIEW

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

The Company's audit committee, which comprises all of the three independent non-executive Directors, namely Mr. Tsang, Ho Ka, Eugene (Chairman of the Audit Committee), Mr. Liu Yi and Mr. Sun Yansheng, has reviewed and discussed with the management for the Group's interim results for the Period and examined the condensed consolidated interim financial statements for the Period and this report. Members of the Audit Committee agree with the accounting treatments adopted in the preparation of the condensed consolidated 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 21 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2019 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTES	**30 June 2019 (Unaudited) HK$'000**	31 December 2018 (Audited) HK$'000
Non-current Assets			
Property, plant and equipment	8	**23,232**	24,315
Right-of-use assets	8	**41,523**	–
Intangible assets		**3,892**	4,355
Goodwill		**1,225**	1,231
Deposits paid for acquisition of property, plant and equipment	9	**6,712**	3,769
Rental deposits	9	**2,241**	6,042
Deferred tax assets		**12,361**	11,797
		91,186	51,509
Current Assets			
Inventories		**1,489**	1,444
Note receivables	10	**30,000**	60,000
Trade receivables	9	**169,913**	145,342
Other receivables, deposits and prepayments	9	**21,888**	16,734
Contract assets	11	**66,675**	62,950
Tax recoverable		**172**	–
Pledged bank deposits	15	**5,235**	–
Bank balances and cash		**246,610**	284,218
		541,982	570,688
Current Liabilities			
Trade payables	12	**39,003**	24,264
Other payables and accrued charges	12	**47,472**	58,098
Dividends payable		**57,000**	–
Bank borrowings	13	**4,542**	20,000
Lease liabilities		**21,791**	–
Obligations under a finance lease		**–**	223
Contract liabilities	11	**12,471**	20,316
Tax liabilities		**13,314**	12,592
		195,593	135,493
Net Current Assets		**346,389**	435,195
Total Assets less Current Liabilities		**437,575**	486,704
Capital and Reserves			
Share capital	14	**11,400**	11,400
Reserves		**396,258**	465,011
Equity attributable to owners of the Company		**407,658**	476,411
Non-controlling interests		**9,601**	9,479
Total Equity		**417,259**	485,890
Non-current Liabilities			
Deferred tax liabilities		**1,160**	82
Lease liabilities		**19,156**	–
Obligations under a finance lease		**–**	732
		20,316	814
		437,575	486,704

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	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 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 difference arising on translation of foreign operations	–	–	–	–	(3,013)	–	–	–	(3,013)	16	(2,997)
Total comprehensive income (expense) 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
At 1 January 2019 (audited)	**11,400**	**314,085**	**(112,360)**	**3,165**	**(10,529)**	**7,848**	**43,119**	**219,683**	**476,411**	**9,479**	**485,890**
(Loss) profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8,617)**	**(8,617)**	**156**	**(8,461)**
Exchange difference arising on translation of foreign operations	**-**	**-**	**-**	**-**	**(3,727)**	**-**	**-**	**-**	**(3,727)**	**(34)**	**(3,761)**
Total comprehensive (expense) income for the period	**-**	**-**	**-**	**-**	**(3,727)**	**-**	**-**	**(8,617)**	**(12,344)**	**122**	**(12,222)**
Dividend recognised as distribution (note 6)	**-**	**(57,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**(57,000)**	**-**	**(57,000)**
Recognition of equity settled long-term employee benefits	**-**	**-**	**-**	**-**	**-**	**574**	**-**	**-**	**574**	**-**	**574**
Shares issued upon exercise of share options under share option scheme	**-**	**17**	**-**	**-**	**-**	**-**	**-**	**-**	**17**	**-**	**17**
At 30 June 2019 (unaudited)	**11,400**	**257,102**	**(112,360)**	**3,165**	**(14,256)**	**8,422**	**43,119**	**211,066**	**407,658**	**9,601**	**417,259**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2019

Notes:

(a) Share premium included 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 ("SLD") exchanged in connection with the Reorganisation.

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

(d) The amount represents the recognition of the equity settled long-term employee benefit scheme of a subsidiary of the Company in respect of "Share-linked Bonus and Share Conversion Scheme" (the "Conversion Scheme") and share option scheme, details of which are set out in notes 19 and 20, respectively.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	**21,732**	44,738
Increase in trade receivables	**(26,716)**	(25,685)
Increase in other receivables, deposits and prepayments	**(1,655)**	(7,984)
Increase in contract assets	**(4,303)**	(22,959)
Increase (decrease) in trade payables	**14,887**	(1,004)
Decrease in other payables and accrued charges	**(10,331)**	(7,779)
(Decrease) increase in contract liabilities	**(7,817)**	1,715
Movements in other working capital	**(45)**	120
Income taxes paid	**(10,403)**	(20,534)
Interest paid	**(88)**	(386)
NET CASH USED IN OPERATING ACTIVITIES	**(24,739)**	(39,758)
INVESTING ACTIVITIES		
Interest received	**2,267**	239
Additions to property, plant and equipment	**(7,985)**	(7,825)
Repayment from note receivable	**60,000**	–
Additions to note receivable	**(30,000)**	–
Proceeds on disposal of property, plant and equipment	**25**	91
Additions to intangible assets	**(88)**	(1,006)
(Placement) withdrawal of pledged bank deposit	**(5,235)**	1,004
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**18,984**	(7,497)
FINANCING ACTIVITIES		
Net proceeds from issuance of shares upon exercises of share options	**17**	–
Dividend paid	**–**	(35,000)
New bank borrowings raised	**4,552**	20,000
Repayments of bank borrowings	**(20,000)**	(8,000)
Finance cost paid for lease liabilities	**(1,093)**	–
Repayments of lease liabilities	**(12,411)**	–
NET CASH USED IN FINANCING ACTIVITIES	**(28,935)**	(23,000)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(34,690)**	(70,255)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**284,218**	154,910
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(2,918)**	939
CASH AND CASH EQUIVALENTS AT END OF YEAR, REPRESENTED BY BANK BALANCES AND CASH	**246,610**	85,594

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 of Hong Kong Limited 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.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES

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

2.1.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 16

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

DEFINITION OF A LEASE

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

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

AS A LESSEE

ALLOCATION OF CONSIDERATION TO COMPONENTS OF A CONTRACT

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

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

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (CONTINUED)

2.1.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 16 (CONTINUED)

AS A LESSEE (CONTINUED)

RIGHT-OF-USE ASSETS

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

The cost of right-of-use asset includes:

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

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

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

REFUNDABLE RENTAL DEPOSITS

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (CONTINUED)

2.1.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 16 (CONTINUED)

AS A LESSEE (CONTINUED)

LEASE LIABILITIES

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

The lease payments include:

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (CONTINUED)

2.1.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 16 (CONTINUED)

AS A LESSEE (CONTINUED)

LEASE MODIFICATIONS

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

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

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

TAXATION

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (CONTINUED)

2.1.1 KEY CHANGES IN ACCOUNTING POLICIES RESULTING FROM APPLICATION OF HKFRS 16 (CONTINUED)

SALE AND LEASEBACK TRANSACTIONS

The Group acts as a seller-lessee

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

2.1.2 TRANSITION AND SUMMARY OF EFFECTS ARISING FROM INITIAL APPLICATION OF HKFRS 16

DEFINITION OF A LEASE

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

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

AS A LESSEE

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (CONTINUED)

2.1.2 TRANSITION AND SUMMARY OF EFFECTS ARISING FROM INITIAL APPLICATION OF HKFRS 16 (CONTINUED)

AS A LESSEE (CONTINUED)

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (CONTINUED)

2.1.2 TRANSITION AND SUMMARY OF EFFECTS ARISING FROM INITIAL APPLICATION OF HKFRS 16 (CONTINUED)

AS A LESSEE (CONTINUED)

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

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

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (CONTINUED)

2.1.2 TRANSITION AND SUMMARY OF EFFECTS ARISING FROM INITIAL APPLICATION OF HKFRS 16 (CONTINUED)

AS A LESSEE (CONTINUED)

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (CONTINUED)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 16 LEASES (CONTINUED)

2.1.2 TRANSITION AND SUMMARY OF EFFECTS ARISING FROM INITIAL APPLICATION OF HKFRS 16 (CONTINUED)

AS A LESSEE (CONTINUED)

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

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

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

3. REVENUE AND SEGMENT INFORMATION

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

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

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

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

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

1. Interior design services: Provision of interior design services

2. Interior decorating and furnishing services: Provision of interior decorating and furnishing 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 2019

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

	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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

SEGMENT REVENUE AND RESULTS

	Interior design services HK$'000	Interior decorating and furnishing services HK$'000	Products design services HK$'000	Total HK$'000
For the six months ended 30 June 2019 (unaudited)				
Revenue				
Segment revenue from external customers	**131,043**	**89,264**	**1,161**	**221,468**
Results				
Segment results	**(8,072)**	**16,389**	**731**	**9,048**
Unallocated expense				**(4,499)**
Interest income				**2,198**
Depreciation of certain property, plant and equipment				**(2,856)**
Loss on disposals of property, plant and equipment				**(380)**
Profit before taxation				**3,511**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

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 2018 (unaudited)				
Revenue				
Segment revenue from external customers	184,847	35,992	2,655	223,494
Results				
Segment results	39,408	6,065	903	46,376
Unallocated income				7
Interest income				239
Depreciation of certain property, plant and equipment				(1,217)
Loss on disposals of property, plant and equipment				(200)
Listing expenses				(6,895)
Profit before taxation				38,310

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

4. INCOME TAX EXPENSE

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

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

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

Deferred tax for both periods arose from temporary differences arising from accelerated tax depreciation, allowance for credit losses, accrued bonus, accrued expenses, provision for contract assets, tax losses, fair value adjustment on business acquisition and unrealised profits.

5. (LOSS) PROFIT FOR THE PERIOD

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

6. DIVIDEND

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

7. (LOSS) EARNINGS PER SHARE

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

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

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

The computation of diluted loss per share for the six months ended 30 June 2019 did not assume the conversion of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share for the period.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

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

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

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

9. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

Included in the carrying amount of trade receivables as at 30 June 2019 is an amount of HK$18,865,000 (31 December 2018: HK$12,573,000) due from a related party controlled by a controlling shareholder of the Company.

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

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

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

As at 30 June 2019, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$169,913,000 (31 December 2018: HK$145,342,000) which are past due as at the reporting date. Out of the past due balances, HK$32,855,000 (31 December 2018: HK$26,891,000) has been past due more than 90 days and is not considered as in default since the amounts are still considered as recoverable based on historical experience and forward-looking estimates. The Group does not hold any collateral over these balances.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

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

The basis of determining the inputs and assumptions and the estimation techniques for the assessment of the impairment losses under expected credit loss model used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

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

	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Other receivables	**14,553**	10,287
Interest receivables from note receivables	**340**	409
Prepayments of expenses	**2,512**	4,444
Rental deposits	**6,195**	6,293
Deposits paid for acquisition of property, plant and equipment	**6,712**	3,769
Other deposits	**529**	1,343
	30,841	26,545
Analysed as:		
Current	**21,888**	16,734
Non-current – Deposits paid for acquisition of property, plant and equipment	**6,712**	3,769
Non-current – Rental deposits	**2,241**	6,042
	30,841	26,545

10. NOTE RECEIVABLES

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

As at 30 June 2019, the Group's note receivable is not past due. The directors of the Company are in the view that there have been no significant increase in credit risk nor default. No impairment loss is recognised for the period ended 30 June 2019. In addition, the Group does not hold any collateral on the note receivable nor pledged as security.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

11. CONTRACT ASSETS (LIABILITIES)

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

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones at the reporting date on the design services. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfer contract assets to trade receivables upon achieving the specified milestones in the contracts.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

12. 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 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
0 to 180 days	**34,345**	21,128
Over 180 days	**4,658**	3,136
	39,003	24,264

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

	At 30 June 2019 HK$'000 (Unaudited)	At 31 December 2018 HK$'000 (Audited)
Accrued staff benefits	**16,187**	30,851
Deposits received from customers	**24,166**	16,018
Liability associated with long-term employee benefit	**–**	4,905
Other payables and accrued charges	**7,119**	6,324
	47,472	58,098

13. BANK BORROWINGS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

14. SHARE CAPITAL

	Number of shares	HK$
Ordinary shares of the Company of HK$0.01 each		
Authorised		
At 1 January 2018	39,000,000	390,000
Increased on 11 June 2018 (Note (a))	3,961,000,000	39,610,000
At 31 December 2018 and 30 June 2019	4,000,000,000	40,000,000
Issued and fully paid		
At 1 January 2018	1,000	10
Capitalisation issue (Note (b))	854,999,000	8,549,990
Issue of shares (Note (c))	285,000,000	2,850,000
At 31 December 2018	1,140,000,000	11,400,000
Issue of shares upon exercise of share options (Note (d))	39,000	390
At 30 June 2019	1,140,039,000	11,400,390

Notes:

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

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

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

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

Share capital of the Group at 1 January 2018 represents the aggregate paid up capital of the Company and SLD, which became an indirect wholly-owned subsidiary of the Company on 21 April 2017 pursuant to the Reorganisation as detailed in the Prospectus.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

15. PLEDGE OF ASSETS

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

16. CAPITAL COMMITMENTS

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

17. RELATED PARTY TRANSACTIONS

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

		Six months ended 30 June	
Relationship	**Nature of transactions**	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)
Fellow subsidiaries	Consultancy services income	**14**	–
	Interest on lease liabilities	**74**	–
	Interior decorating and furnishing services income	**2,368**	–
	Interior design services income	**1,462**	2,997
	Referral fee	**336**	–
	Rental expense	**–**	906
	Repayment of lease liabilities	**796**	–
Related company (Note)	Interior design service income	**–**	319

Note: Leung Chi Tien Steve, a director of SLD and a shareholder of the Company holds beneficial interests over the related company.

Included in lease liabilities is an amount of lease liabilities of HK$1,839,000 due to a fellow subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

17. 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	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Basic salaries, allowance and other benefits	**9,758**	6,883
Discretionary bonus	**984**	3,858
Retirement benefits scheme contributions	**355**	339
	11,097	11,080

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

18. 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.

19. 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.

19. LONG-TERM EMPLOYEE BENEFITS (CONTINUED)

LOYALTY INCENTIVE SCHEME (CONTINUED)

During the six months ended 30 June 2019, the Group recognised total expense of nil (six months ended 30 June 2018: HK$923,000) in relation to the Incentive Bonus granted under the Loyalty Incentive Scheme. As at 30 June 2019, the amounts to be borne by SLD included in the condensed consolidated statements of financial position as "liabilities associated with long-term employee benefits" under other payables and accrued charges are nil (31 December 2018: HK$4,905,000).

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 SLD in January 2017 at the discounted exercise price of HK$2,500,000 per 1% of the issued share capital of SLD 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 SLD 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 SLD in issue at any point in time, without prior approval from the SLD'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 SLD in issue at any point in time, without prior approval from the SLD'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 SLD 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 SLD Acquisition as defined in the section headed "History, Development and Reorganisation" in the Prospectus.

During the six months ended 30 June 2019, the Group recognised total expense of HK$574,000 (six months ended 30 June 2018: HK$770,000) in relation to the Conversion Scheme and accumulated in equity under the heading of "long-term employee benefit reserve".

During the year ended 31 December 2018, the Conversion Scheme is replaced by the share option scheme as detailed in note 20.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 30 June 2019

20. SHARE-BASED PAYMENT TRANSACTIONS

EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY

The Company's share option scheme was adopted pursuant to a resolution passed on 11 June 2018 (the "Share Option Scheme") for the purpose of recognising the contribution of certain senior management, employees, consultants and other contributors of the Group ("Participants") that have made or may have been made to the growth of the Group. Under the Share Option Scheme, the board of directors of the Company may grant options to Participants, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

On 15 June 2018, the Company implemented a settlement plan in relation to the Conversion Scheme (the "Settlement Plan") as further detailed in "History, Development and Reorganisation" in the Prospectus. Pursuant to the Settlement Plan: (i) the Conversion Scheme was terminated and replaced by the Share Option Scheme; (ii) the entitlement of dividend rights and shares of SLD of the eligible participants under the Conversion Scheme was replaced by the share options granted to them; and (iii) all the rights, benefits and claims of the eligible participants under the Conversion Scheme were terminated.

At 30 June 2019, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 30,278,400 (31 December 2018: 30,483,600), representing 2.656% (31 December 2018: 2.674%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted shall be taken up upon payment of HK$1 as consideration for the grant of option. Options may be exercised at any time not exceeding a period of 10 years from the date which the share option is deemed to be granted and accepted. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant.

20. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY (CONTINUED)

The following table discloses movements of the Company's share options held by directors and employees during the period:

Date of grant	Exercise price HK$	Outstanding at 1 January 2018	Granted during the year	Outstanding at 31 December 2018	Exercised during the period (Note 1)	Cancelled during the period (Note 2)	Outstanding at 30 June 2019
5 July 2018	0.44	–	6,096,720	6,096,720	(39,000)	(2,040)	6,055,680
		–	6,096,720	6,096,720	–	(41,040)	6,055,680
		–	6,096,720	6,096,720	–	(41,040)	6,055,680
		–	6,096,720	6,096,720	–	(41,040)	6,055,680
		–	6,096,720	6,096,720	–	(41,040)	6,055,680
		–	30,483,600	30,483,600	(39,000)	(166,200)	30,278,400
Weighted average exercise price		–	HK$0.44	HK$0.44	HK$0.44		HK$0.44

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

The Group recognised the total expense of HK$574,000 for the six months ended 30 June 2019 (six months ended 30 June 2018: HK$770,000) in relation to share options granted by the Company and shares awarded under the Conversion Scheme.

Notes:

1. The weighted average closing price of the shares immediately before the date on which the options were exercised was HK$0.72.

2. These are in respect of options granted to some employees under continuous contracts who have subsequently resigned. Such options have cancelled during the Period.