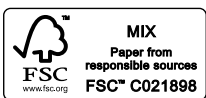




STEVE LEUNG DESIGN GROUP LIMITED
梁志天設計集團有限公司

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

INTERIM REPORT 2020



CONTENTS

Corporate Information	2
Management Discussion and Analysis	4
Corporate Governance and Other Information	11
Report on Review of Condensed Consolidated Financial Statements	20
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	21
Condensed Consolidated Statement of Financial Position	22
Condensed Consolidated Statement of Changes in Equity	23
Condensed Consolidated Statement of Cash Flows	25
Notes to the Condensed Consolidated Financial Statements	26

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

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)
SIU Man Hei (Chief Executive Officer)
(Appointed on 30 March 2020)
CHEUNG Henry (Resigned on 30 March 2020)

INVESTMENT COMMITTEE

XU Xingli (Chairman)
SIU Man Hei (Chief Executive Officer)
YIP Kwok Hung Kevin (Chief Financial Officer)
HUANG Jianhong
TSANG Ho Ka Eugene

COMPANY SECRETARY

YIP Kwok Hung Kevin (Chief Financial Officer)
(Appointed on 30 March 2020)
CHOI Mei Bik (Appointed on 30 March 2020)
CHEUNG Henry (Resigned on 30 March 2020)

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

CORPORATE INFORMATION (CONTINUED)**HONG KONG BRANCH SHARE REGISTRAR
AND TRANSFER OFFICE**

Link Market Services (Hong Kong) Pty Limited
Suite 1601, 16/F., Central Tower
28 Queen's Road Central
Hong Kong

AUTHORISED REPRESENTATIVES

YIP Kwok Hung Kevin (Chief Financial Officer)
SIU Man Hei (Chief Executive Officer)
(Appointed on 30 March 2020)
CHEUNG Henry (Resigned on 30 March 2020)

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance

LEGAL ADVISOR

Kenneth Chong Law Office

PRINCIPAL BANKERS

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

STOCK CODE

2262

COMPANY'S WEBSITE

www.sldgroup.com

INVESTOR RELATIONS CONTACT

ir@steveleung.com

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The first half of 2020 was an extremely difficult time, marked by the global crisis of the Coronavirus Disease (“**COVID-19**”) pandemic. COVID-19 did not only pose challenges to the global healthcare system, but also created an adverse impact on the global economy due to measures such as social distancing, border restrictions, quarantine and isolation undertaken in various countries. Further, a pessimistic sentiment on the general economic conditions have a significant negative impact on the investment and consumption markets.

There was a slowdown in the People's Republic of China (the “**PRC**”) real estate market due to quarantine and isolation measures as well as closure of businesses, which adversely affected individual mobility and property purchase behavior, and hence led to a reduction in property transactions. According to a recent report released by China Index Academy, among the 50 major cities surveyed, in the first half of 2020, the average monthly saleable area had decreased by approximately 15% year-on-year, the lowest level since 2015. Despite supportive government policies such as increasing housing subsidies and the relaxation of household registration, there was only a moderate increase in property price among first-tier cities, and a decrease in property price was noticed in lower tier cities. Facing such a difficult and uncertain operating environment, especially with a resurging number of infected cases globally, property developers have switched their sales and marketing strategy, from “waiting to sell at the highest price” to “quicker sales and shorten the cash conversion cycle”, in order to maximise returns.

The interior design industry relies heavily on the performance of the real estate industry. High-quality interior design is proven to be a crucial factor for property developers to drive up the property value and increase the volume of property transactions. As a result, despite a slowdown in the real estate market, the demand for interior design services was not significantly impacted. Notwithstanding the impact of COVID-19, STEVE LEUNG DESIGN GROUP LIMITED 梁志天設計集團有限公司 (the “**Company**”, together with its subsidiaries, the “**Group**”) had shown resilience during the first half of 2020. The number of contracts awarded to the Group remained at an acceptable level during the six months period ended 30 June 2020 (the “**Period**”), and the Group was capable of maintaining a stable gross profit margin whilst delivering quality interior design services.

FINANCIAL AND BUSINESS REVIEW

As a result of the aforementioned factors, the Group delivered a set of mixed results across segments during the Period.

The following stated the Group's revenue and gross profit by segment during the Period:

Revenue and Gross Profit by Segment

	Six months period ended 30 June 2020 (Unaudited)			Six months period ended 30 June 2019 (Unaudited)		
	Revenue HK\$ million	Gross profit HK\$ million	Gross profit margin	Revenue HK\$ million	Gross profit HK\$ million	Gross profit margin
Interior Design Services	138.7	62.4	45.0%	131.0	50.5	38.5%
Interior Decorating and Furnishing Services	47.4	16.8	35.4%	89.3	26.1	29.2%
Product Design Services	0.8	0.7	87.5%	1.2	0.7	58.3%
Total	186.9	79.9	42.8%	221.5	77.3	34.9%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

	Six months period ended 30 June 2020			Six months period ended 30 June 2019		
	Interior design services	Interior decorating and furnishing services	Total	Interior design services	Interior decorating and furnishing services	Total
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Remaining contract sum carry at the beginning of the Period	290.3	142.1	432.4	306.7	79.4	386.1
Add: New contract sum awarded during the Period	152.3	119.2	271.5	180.1	191.9	372.0
Less: VAT for newly awarded contracts	(6.5)	(12.6)	(19.1)	(8.8)	(12.1)	(20.9)
Less: Revenue recognised during the Period	(138.7)	(47.4)	(186.1)	(131.0)	(89.3)	(220.3)
Less: Purchase made	–	(2.4)	(2.4)	–	–	–
Add/(Less): Variation order	1.3	(0.9)	0.4	(4.7)	0.9	(3.8)
Less: Exchange realignment	(7.6)	(0.5)	(8.1)	(13.6)	(1.0)	(14.6)
Remaining contract sum carry at the end of the Period	291.1	197.5	488.6	328.7	169.8	498.5

(I) INTERIOR DESIGN SERVICES

Owing to the reliance from property developers on high-quality interior design services to drive up the property value and increase the volume of property transactions, revenue for the interior design services segment increased by approximately 5.9%, from approximately HK\$131.0 million to approximately HK\$138.7 million, accounting for approximately 74.2% of the total revenue (six months period ended 30 June 2019 (the "Previous Period"): 59.1%). Leveraging on the Group's well-recognised brand value and high-quality services, the Group was also able to withstand market pressure by upholding its pricing and cost control strategy, with segment gross profit remarkably increased to approximately HK\$62.4 million, from approximately HK\$50.5 million in the Previous Period.

As at 30 June 2020, this business segment had a remaining contract sum of approximately HK\$291.1 million (Previous Period: HK\$328.7 million), which is expected to be realised based on the stage of completion of projects. There was a reduction of approximately HK\$37.6 million or 11.4% of the remaining contract sum, mainly attributable to suspension of business activities in the PRC due to the global outbreak of COVID-19 in the first quarter of 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(II) INTERIOR DECORATING AND FURNISHING SERVICES

The interior decorating and furnishing services segment commenced operation in 2016 and had achieved a notable growth during the past two years. The revenue of interior decorating and furnishing services was mainly recognised upon delivery of interior decorative products to the physical sites. Since the logistics arrangement of interior decorative products was significantly hindered, particularly in the first quarter of 2020, due to the global outbreak of COVID-19, this business segment was adversely impacted. A top line drop of approximately 46.9% of segment revenue was recorded from approximately HK\$89.3 million in the Previous Period to approximately HK\$47.4 million, accounting for approximately 25.4% of the total revenue (Previous Period: 40.3%). In line with the decrease in segment revenue, segment gross profit also decreased from approximately HK\$26.1 million to approximately HK\$16.8 million.

As at 30 June 2020, this business segment had a remaining contract sum of approximately HK\$197.5 million (Previous Period: HK\$169.8 million), which is expected to be realised based on delivery of interior decorative products and completion of projects. Among the remaining contract sum of the interior decorating and furnishing services, approximately HK\$78.3 million (Previous Period: HK\$78.3 million) was attributable to a long-term project in Malaysia, which is expected to commence in early 2021 and be completed in 2022.

Riding on the Group's extensive experience and expertise in provision of interior design services, it is expected that the interior decorating and furnishing services segment will remain strong and further contribute positively to the Group's operating and financial position upon market recovery.

(III) PRODUCT DESIGN SERVICES

Another important facet of the Group's operation is the product design services, which is complementary to our interior decorating and furnishing services, and 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, revenue derived from this business segment had reached approximately HK\$0.8 million (Previous Period: HK\$1.2 million). The decrease in revenue was mainly due to the decrease in royalties caused by a decrease in sales of design product of our clients.

OVERALL PERFORMANCE

As the growth in interior design services was more than offset by the decrease in the interior decorating and furnishing services, the Group recorded a total revenue of approximately HK\$186.9 million, representing a decrease of approximately 15.6% (Previous Period: HK\$221.5 million). Gross profit, however, increased by approximately 3.4% from approximately HK\$77.3 million in the Previous Period to approximately HK\$79.9 million. Gross profit margin increased significantly by approximately 7.9 percentage points, from approximately 34.9% in the Previous Period to approximately 42.8%, mainly attributable to the increase of revenue contribution from the interior design services segment and stringent cost control measures during the Period.

From an operational viewpoint, the Group had made significant progress in client retention and acquisition. During the Period, the Group was able to secure most of the projects coming from recurring clients that value and demonstrate trust and confidence in the Group's design work. As at 30 June 2020, the interior design services and interior decorating and furnishing services segments had an aggregate remaining contract sum of approximately HK\$488.6 million, which is expected to be realised based on the stage of completion of projects and delivery of interior decorating and furnishing products, respectively. The solid contract pipeline will enable to stable operation of the Group's business notwithstanding market uncertainties in the future.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The contract sum of newly awarded contracts did not increase as expected, mainly due to the global outbreak of COVID-19 and the suspension of the overall PRC market during the first quarter of the year. The revenue of interior decorating and furnishing services was materially affected by the lockdown of show flats and sites, which in turn affected the total revenue of the Group. However, the Group managed to maintain a lower level of decrease in newly awarded contracts.

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 during this volatile period.

Not only did the Group place efforts on diversifying its income streams to mitigate the challenging business environment, it also paid extra attention to prudent cost measures to enhance efficiency, which was reflected in its stringent cost control over administrative expenses and direct labor costs during the Period. During the Period, administrative expenses decreased by approximately 15.4%, from approximately HK\$78.7 million to approximately HK\$66.6 million. The decrease was primarily due to the decrease in the average salaries and headcount as a result of the Group's contractionary measures in view of the unfavourable and volatile market conditions. Together with the incentive rebate as well as the subsidies received from the PRC and Hong Kong governments and relevant local authorities, profit attributable to owners of the Company also achieved a turnaround, recording an increase from a net loss of approximately HK\$8.6 million to a net profit of approximately HK\$6.1 million for the Period.

The Group also managed to maintain a healthy net cash position despite unfavourable market sentiment and volatile external operating environment. As at 30 June 2020, bank balances and cash stood at approximately HK\$185.5 million (31 December 2019: HK\$273.6 million), whereas its gearing and current ratios were being maintained at a low level of 7.9% and 3.0 times, respectively (31 December 2019: 7.4%; 3.2 times). The decrease in bank balances and cash was mainly due to the increase in investment in note receivable (as detailed in note 11 to the condensed consolidated financial statements) during the Period. Another key indicator worth noting is that cash conversion cycle remained at 160 days (Previous Period: 103 days), as the Group placed efforts to maintain trade receivables at a manageable level. The increase in the cash conversion cycle was mainly due to the lockdown of some cities and suspension of operation of our clients, banks and tax authorities which led to delay in the issuance of Fapiao (發票) in the PRC and the payment processing time from our clients and banks during the Period. Despite the cash conversion cycle increased significantly, it is still maintained at a healthy level. Such stable financial position and flexibility will be critical for the Group to prevail over its competitions in the volatile operating environment and pursue future business opportunities.

As for the Group's gross profit, increase in gross profit was primarily due to the increase in the proportion of revenue contribution from the interior design services segment over the total revenue of the Group. Although the revenue generated from the interior decorating and furnishing services segment decreased significantly, the gross profit margin of this business segment was lower than that of the interior design services segment. The change in revenue mix during the Period contributed to the recovery in the Group's gross profit margin.

The Group recorded other losses of approximately HK\$0.1 million for the Period (Previous Period: other gains of approximately HK\$0.6 million), which was primarily derived from the depreciation of Renminbi. However, the other income increased to approximately HK\$8.1 million (Previous Period: HK\$7.2 million), which was mainly attributable to the increase in interest income from the note receivable, PRC incentive rebate and government grants during the Period.

Considering the above, the Group recorded a profit of approximately HK\$6.4 million for the Period (Previous Period: loss of HK\$8.5 million), representing a recovery from loss to profit as compared to Previous Period, and was mainly attributed to the increase in revenue and gross profit from the interior design services segment and the cost-saving measures as mentioned above.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OUTLOOK AND PROSPECTS

Looking into the second half of 2020, although the domestic economy is slowly recovering, the impact of COVID-19 is still uncertain, especially when COVID-19 is still prevalent globally. Adding to such uncertainties is that the United States will hold the presidential election in November 2020, where a change in leadership could lead to a drastically different foreign and trade policy, and two of the world economic superpowers are entering into the phase two trade negotiations at the end of this year. Hence, the upcoming half year is full of challenges and uncertainties. In view of the volatile macroeconomic environment, the Group will stay vigilant and closely monitor the situation to minimise the impact on the Group's operation and financial performance.

In terms of operation, being a high-quality integrated interior design services provider, the Group will continue to strengthen its relationship with long-established and market-leading property developers, in order to secure more recurring projects during the downward cycle. At the same time, the Group will leverage on extensive industry experience and shrewd market acumen to capture new customers and business opportunities, by collaborating with less-established developers which have good prospects for long-term growth and grow hand-in-hand. The Group will also increase its marketing effort and strengthen its foothold in first-tier and second-tier cities in the PRC, where most of our residential projects originate from.

On the financing side, the Group is also looking to maintain a strong cash position in order to provide us with the necessary flexibility to combat upcoming challenges. During the Period, the Group has taken proactive measures in reducing staffing and corporate expenses to further improve its cash flow and cash position, and will continue to do so to create the possible leanest cost structure.

Through years of effort, 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 cautious yet optimistic about its long-term development, supported by its effective implementation of corporate strategies. Despite the challenges ahead, the Group will continue to embrace its pursuit of "Design Without Limits" and stay competitive in the ever-changing business environment, while delivering long-term value for its stakeholders.

CORPORATE FINANCE AND RISK MANAGEMENT

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The management and control of the Group's financial, capital management and external financing functions are centralised at the headquarters in Hong Kong. The Group has been adhering to the principle of prudent financial management in order to minimise financial and operational risks. The Group mainly relies 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 2020, 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 5.1% (31 December 2019: 5.0%) and 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 7.9% (31 December 2019: 7.4%). As at 30 June 2020, the Group has net cash (bank balances and cash less total debt) of approximately HK\$151.2 million (31 December 2019: HK\$243.1 million). The reduction of the net cash was attributable to the investment in note receivable during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The bank borrowings of the Group were mainly contributed by the bank borrowings for financing our daily operation expenses. The bank borrowings of approximately HK\$2.0 million as at 30 June 2020 (31 December 2019: HK\$3.6 million) were secured by a pledged bank deposit and the borrowings of HK\$13.0 million as at 30 June 2020 were secured by corporate guarantee of the Company as disclosed in note 14 to the condensed consolidated financial statements. 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 2020 was 3.0 (31 December 2019: 3.2). 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 2020, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.4 million (31 December 2019: HK\$11.4 million) and approximately HK\$441.3 million (31 December 2019: HK\$452.8 million), respectively.

PLEDGE OF ASSETS

As at the end of the Period, the Group's bank borrowings were secured by pledged bank deposits of approximately HK\$0.7 million as disclosed in note 16 to the condensed consolidated 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 17 to the condensed consolidated financial statements.

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

The Group's bank borrowings as at 30 June 2020 were in Hong Kong dollars and Renminbi and have been made at floating rates. The Group operates in various regions with different foreign currencies including Renminbi and United States Dollars. The exchange rates of United States Dollar was relatively stable while Renminbi was more volatile during the Period. The Group has no hedging arrangements for foreign currencies or interest rates. Currently, the Group reviews the exchange risk regularly and closely monitors the fluctuation of foreign currencies and will make proper adjustments and consider hedging if necessary.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 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, operation 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 significant events which may materially affect the Group's operating and financial performance subsequent to 30 June 2020 and up to the date of this report.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group had approximately 549 (30 June 2019: 603) full-time employees. The total remuneration of the employees (including the Directors' remuneration) were approximately HK\$83.6 million for the Period (Previous Period: HK\$89.3 million). The decrease in total remuneration of the employees was mainly due to the decrease in the number of employees and average salaries of our staffs. The Group offers attractive remuneration policy, discretionary bonus and share options will also be granted to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides external training programmes which are complementary to certain job functions.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITIONS AND DISPOSALS

For the purpose of obtaining a better interest rate on surplus funds, the Group subscribed one short-term note of HK\$60.0 million with a fixed interest rate of 6% per annum from an independent third party during the Period being the original maturity date with 31 March 2020. Subsequently, the maturity date was further extended to 30 June 2020 and 31 December 2020 respectively upon the signing of supplemental deeds, and all other terms remained the same. As at 30 June 2020, the note receivable is not past due.

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

No material acquisition and disposal of subsidiaries, associates or joint ventures was carried out by the Group 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 2020.

APPRECIATION

Looking forward to the second half, we have already seen a growing momentum on the recovery of the PRC economy. Nevertheless, as COVID-19 is still prevalent globally, the adverse impact of global economic downturn on the Group's performance is still uncertain. Further, the potential political and economic risks associated with the United States presidential election in November 2020, are still unforeseeable. All in all, the business landscape in the second half will be nothing less of challenges, but the Group will continue to build on its existing competitive strengths to achieve its business objectives.

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, I would like to send our heartfelt gratitude to our shareholders, clients, business partners and our professional team for their full support. The Group is confident that as an industry leader with proven capability and strong brand equity, we can overcome the difficulties and challenges together with the society and grow with stability.

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 2020, 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 of Hong Kong Limited (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 2020, 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

The interests and/or short positions of substantial shareholders in the shares and the underlying shares of the Company as at 30 June 2020, as recorded in the register required to be kept under Section 336 of Part XV of the SFO, are set out 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 (Note 1)
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%

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

Notes:

1. On the basis of 1,140,039,000 shares in issue as at 30 June 2020.
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. Peacemark 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 therefore Mr. Liu is deemed to be interested in the shares indirectly held by Jiangheyuan through 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. Ms. 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

ANY OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under Section 336 of Part XV of the SFO.

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 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 5 July 2018, the date of which the Company's shares listed on the Stock Exchange (the "**Listing Date**"). 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.

Category of grantees	Date of grant	Number of options				As at 30 June 2020
		As at 1 January 2020	Exercised during the Period	Cancelled during the Period	Lapsed During the Period	
Executive Director – Mr. Siu Man Hei	15/06/2018	10,032,000	–	–	–	10,032,000
Senior management and other employees	15/06/2018	20,246,400	–	–	–	20,246,400
Total		30,278,400	–	–	–	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:

- any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group ("**Executives**");
- any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group;
- a director or proposed director (including an independent non-executive director) of any member of the Group;
- a direct or indirect shareholder of any member of the Group;
- a supplier of goods or services to any member of the Group;
- a client, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;
- 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
- 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 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 or chief executives or employees of the Company had any interests under any share option scheme of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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 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, policies and guidelines.

The Company has adopted and applied the principles and code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix I4 to the Listing Rules.

The Board confirms that the Company has complied with the mandatory code provisions in the CG 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 CG 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. Having made specific enquiries, all Directors and relevant employees of the Group confirmed that they have complied with the Securities Code and the Model Code during the Period and up to the date of this 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**"). The 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 2020, the Net Proceeds received were applied and reallocated as follows:

	Original allocation of Net Proceeds HK\$ million	Reallocation of Unutilised Net Proceeds on 6 June 2019 HK\$ million	Utilised Net Proceeds up to 31 December 2019 HK\$ million	Unutilised Net Proceeds as at 31 December 2019 HK\$ million	Utilised Net Proceeds during the Period HK\$ million	Unutilised Net Proceeds up to 30 June 2020 HK\$ million
Strengthening the Group's Interior Design Services and developing specialisation	67.0	(28.1)	(30.0)	8.9	(4.6)	4.3
Further developing the Group's Interior Decorating & Furnishing Services	31.1	7.2	(36.7)	1.6	(0.2)	1.4
Pursuing growth through selective mergers and acquisitions	28.4	11.6	–	40.0	–	40.0
Improving the Group's information technology systems	22.1	(5.7)	(16.4)	–	–	–
Repaying existing bank borrowings	19.0	–	(19.0)	–	–	–
Enhancing the Group's brand recognition	11.0	–	(5.9)	5.1	(1.9)	3.2
Further developing the Group's Product Design Services	3.1	–	(3.1)	–	–	–
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	(2.5)	12.5	(1.8)	10.7
Total	195.0	–	(126.9)	68.1	(8.5)	59.6

The unutilised Net Proceeds are expected to be fully utilised according to the intended allocation by the second quarter of 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

AUDIT COMMITTEE REVIEW

The condensed consolidated financial statements of the Group for the Period are unaudited, but have 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 is included in this report.

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 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.

On behalf of the Board

XU Xingli

Chairman

27 August 2020

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 set out on pages 21 to 44, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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

27 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months period ended 30 June 2020

	NOTES	Six months period ended 30 June	
		2020	2019
		HK\$' 000 (Unaudited)	HK\$' 000 (Unaudited)
Revenue	3	186,932	221,468
Cost of sales		(107,011)	(144,133)
Gross profit		79,921	77,335
Other gains and losses		(111)	648
Impairment losses under expected credit loss model, net	4	(5,121)	(1,786)
Other income		8,135	7,209
Administrative expenses		(66,637)	(78,714)
Finance costs		(2,059)	(1,181)
Profit before taxation		14,128	3,511
Income tax expense	5	(7,695)	(11,972)
Profit (loss) for the period	6	6,433	(8,461)
<i>Other comprehensive expense that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(3,985)	(3,761)
Total comprehensive income (expense) for the period		2,448	(12,222)
Profit (loss) for the period attributable to:			
– Owners of the Company		6,073	(8,617)
– Non-controlling interests		360	156
		6,433	(8,461)
Total comprehensive income (expense) for the period attributable to:			
– Owners of the Company		2,505	(12,344)
– Non-controlling interests		(57)	122
		2,448	(12,222)
		HK cents	HK cents
Earnings (loss) per share	8		
Basic		0.53	(0.76)
Diluted		0.53	(0.76)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Non-current Assets			
Property, plant and equipment	9	28,204	20,266
Right-of-use assets	9	70,312	63,053
Intangible assets		3,094	3,546
Goodwill		1,185	1,203
Deposits paid for acquisition of property, plant and equipment	11	5,135	9,314
Rental deposits	11	3,016	2,310
Deferred tax assets		21,364	21,266
		132,310	120,958
Current Assets			
Inventories		1,232	1,162
Trade receivables	10	217,231	198,946
Other receivables, deposits and prepayments	11	91,251	27,949
Contract assets	12	58,693	51,935
Tax recoverable		155	155
Pledged bank deposits	16	708	3,091
Bank balances and cash		185,485	273,595
		554,755	556,833
Current Liabilities			
Trade payables	13	35,545	37,683
Other payables and accrued charges	13	41,376	54,113
Dividends payable		14,821	–
Bank borrowings	14	35,006	33,618
Lease liabilities		24,015	22,226
Contract liabilities	12	18,231	13,841
Tax liabilities		16,471	9,890
		185,465	171,371
Net Current Assets		369,290	385,462
Total Assets less Current Liabilities		501,600	506,420
Capital and Reserves			
Share capital	15	11,400	11,400
Reserves		429,890	441,364
Equity attributable to owners of the Company		441,290	452,764
Non-controlling interests		10,729	10,786
Total Equity		452,019	463,550
Non-current Liabilities			
Deferred tax liabilities		2,985	2,450
Lease liabilities		46,596	40,420
		49,581	42,870
		501,600	506,420

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2020

	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	Shareholder's contribution HK\$' 000 (Note (e))	Retained profits HK\$' 000	Total HK\$' 000	Non-controlling interests HK\$' 000	Total HK\$' 000
						benefit reserve HK\$' 000 (Note (d))					
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 differences 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 7)	-	(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
At 1 January 2020 (audited)	11,400	257,100	(112,360)	4,695	(17,254)	9,212	43,119	256,852	452,764	10,786	463,550
Profit for the period	-	-	-	-	-	-	-	6,073	6,073	360	6,433
Exchange differences arising on translation of foreign operations	-	-	-	-	(3,568)	-	-	-	(3,568)	(417)	(3,985)
Total comprehensive (expense) income for the period	-	-	-	-	(3,568)	-	-	6,073	2,505	(57)	2,448
Dividend recognised as distribution (note 7)	-	-	-	-	-	-	-	(14,821)	(14,821)	-	(14,821)
Recognition of equity settled long-term employee benefits	-	-	-	-	-	842	-	-	842	-	842
At 30 June 2020 (unaudited)	11,400	257,100	(112,360)	4,695	(20,822)	10,054	43,119	248,104	441,290	10,729	452,019

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)*For the six months period ended 30 June 2020*

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 share option scheme is set out in note 20.
- (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 period ended 30 June 2020*

	Six months period ended 30 June	
	2020 HK\$' 000 (Unaudited)	2019 HK\$' 000 (Unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	37,368	21,732
Increase in trade receivables	(23,327)	(26,716)
Increase in other receivables, deposits and prepayments	(3,446)	(1,319)
Increase in contract assets	(7,496)	(4,303)
(Decrease) increase in trade payables	(2,138)	14,887
Decrease in other payables and accrued charges	(12,737)	(10,331)
Increase (decrease) in contract liabilities	5,015	(7,817)
Increase in inventories	(70)	(45)
Income taxes paid	(180)	(10,403)
NET CASH USED IN OPERATING ACTIVITIES	(7,011)	(24,315)
INVESTING ACTIVITIES		
Additions to note receivable	(60,000)	(30,000)
Payments for rental deposits	(706)	(336)
Additions to property, plant and equipment	(7,804)	(7,985)
Placement of pledged bank deposits	(711)	(5,235)
Additions to intangible assets	(22)	(88)
Withdrawal of pledged bank deposits	3,094	—
Interest received	834	2,267
Repayment from note receivable	—	60,000
Proceeds from disposal of property, plant and equipment	—	25
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	(65,315)	18,648
FINANCING ACTIVITIES		
Repayments of bank borrowings	(183,627)	(20,000)
Repayments of lease liabilities	(12,391)	(12,411)
Finance cost paid for lease liabilities	(1,361)	(1,093)
Interest paid	(698)	(88)
New bank borrowings raised	185,015	4,552
Net proceeds from issuance of shares upon exercises of share options	—	17
NET CASH USED IN FINANCING ACTIVITIES	(13,062)	(29,023)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(85,388)	(34,690)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	273,595	284,218
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,722)	(2,918)
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	185,485	246,610

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 June 2020

I. GENERAL AND BASIS OF PREPARATION

Steve Leung Design Group Limited (the “Company”) was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 December 2016 and its shares were listed on the Stock Exchange on 5 July 2018. The Company’s immediate holding company is Eagle Vision Development Limited, a limited liability company incorporated in the British Virgin Islands, whereas the directors of the Company consider that the Company’s ultimate holding company is Jangho Group Co., Ltd., a company incorporated in the 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 issued by the Hong Kong Institutes of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix I6 to the Rules Governing the Listing of Securities on the Stock Exchange.

IA. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy and business environment, which directly and indirectly affect the operations of the Group. The Group has delayed certain interior design, decorating and furnishing service delivered to customers in the PRC due to mandatory government quarantine measures in an effort to contain the spread of COVID-19, leading to a reduction in its revenue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*For the six months period ended 30 June 2020***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 amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months period ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 "COVID-19-Related Rent Concessions".

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*For the six months period ended 30 June 2020***2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)****APPLICATION OF AMENDMENTS TO HKFRSs (CONTINUED)****2.1 IMPACTS AND ACCOUNTING POLICIES ON EARLY APPLICATION OF AMENDMENT TO HKFRS 16 “COVID-19-RELATED RENT CONCESSIONS”***2.1.1 ACCOUNTING POLICIES***LEASES****COVID-19-RELATED RENT CONCESSIONS**

Rent concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the changes is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 “Leases” if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

2.1.2 TRANSITION AND SUMMARY OF EFFECTS

The Group has early applied the amendment in the current interim period. The application has no impact to the opening retained profits at 1 January 2020. The Group recognised changes in lease payments that resulted from rent concessions with immaterial impact to the profit or loss for the current interim period.

2.2 IMPACTS OF APPLICATION ON AMENDMENTS TO HKAS 1 AND HKAS 8 “DEFINITION OF MATERIAL”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*For the six months period ended 30 June 2020***3. REVENUE AND SEGMENT INFORMATION**

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

An analysis of the Group's revenue for the six months period ended 30 June 2020 and 30 June 2019 are as follows:

	Six months period ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Service revenue	146,752	140,069
License fee revenue	508	869
Trading income	39,672	80,530
	186,932	221,468

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

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

1. Interior design services: Provision of interior design services
2. Interior decorating and furnishing services: Provision of interior decorating and furnishing design services and trading of interior decorative products
3. Product design services: Provision of product design service and license arrangement for product design services

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)**DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS**

	Six months period ended 30 June 2020 (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	6,876	1,322	–	8,198
PRC	120,778	46,019	148	166,945
Other regions	11,059	52	678	11,789
	<u>138,713</u>	<u>47,393</u>	<u>826</u>	<u>186,932</u>
Timing of revenue recognition				
Over time				
Service revenue	138,713	7,721	318	146,752
At point in time				
License fee revenue	–	–	508	508
Trading income	–	39,672	–	39,672
	<u>–</u>	<u>39,672</u>	<u>508</u>	<u>40,180</u>
	<u>138,713</u>	<u>47,393</u>	<u>826</u>	<u>186,932</u>

	Six months period ended 30 June 2019 (unaudited)			
	Interior design services HK\$' 000	Interior decorating and furnishing services HK\$' 000	Product design services HK\$' 000	Total HK\$' 000
Geographical markets				
Hong Kong	10,937	2,051	–	12,988
PRC	111,039	86,895	370	198,304
Other regions	9,067	318	791	10,176
	<u>131,043</u>	<u>89,264</u>	<u>1,161</u>	<u>221,468</u>
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
	<u>–</u>	<u>80,530</u>	<u>869</u>	<u>81,399</u>
	<u>131,043</u>	<u>89,264</u>	<u>1,161</u>	<u>221,468</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2020

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 period ended 30 June 2020				
(unaudited)				
<i>Revenue</i>				
Segment revenue from external customers	<u>138,713</u>	<u>47,393</u>	<u>826</u>	<u>186,932</u>
<i>Results</i>				
Segment results	<u>17,341</u>	<u>1,768</u>	<u>470</u>	<u>19,579</u>
Unallocated expenses				<u>(4,244)</u>
Interest income				<u>2,580</u>
Finance costs				<u>(2,059)</u>
Depreciation of certain property, plant and equipment				<u>(1,728)</u>
Profit before taxation				<u>14,128</u>
For the six months period ended 30 June 2019				
(unaudited and restated)				
<i>Revenue</i>				
Segment revenue from external customers	<u>131,043</u>	<u>89,264</u>	<u>1,161</u>	<u>221,468</u>
<i>Results</i>				
Segment results	<u>5,430</u>	<u>4,068</u>	<u>731</u>	<u>10,229</u>
Unallocated expenses				<u>(4,499)</u>
Interest income				<u>2,198</u>
Finance costs				<u>(1,181)</u>
Depreciation of certain property, plant and equipment				<u>(2,856)</u>
Loss on disposals of property, plant and equipment				<u>(380)</u>
Profit before taxation				<u>3,511</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*For the six months period ended 30 June 2020***3. REVENUE AND SEGMENT INFORMATION (CONTINUED)****SEGMENT REVENUE AND RESULTS (CONTINUED)**

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

During the six months period ended 30 June 2020, the Group has launched stringent cost control over administrative expenses under the effect of outbreak of COVID-19. As a result, certain staff costs and rental were reallocated to interior decorating and furnishing services segment based on the proportion of revenue generated by respective segments during the six months period ended 30 June 2020, for the purpose of better assessment of segment performance by the CODMs. Accordingly, the comparative figures were also restated.

4. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET

	Six months period ended 30 June	
	2020	2019
	HK'000	HK'000
	(Unaudited)	(Unaudited)
Net impairment loss recognised in respect of		
– trade and other receivables	<u>5,121</u>	<u>1,786</u>

The basis of determining the data, assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months period ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

During the six months period ended 30 June 2020, the Group provided impairment allowance of HK\$9,480,000 (for the six months period ended 30 June 2019: HK\$4,614,000) and reversed the impairment allowance of HK\$4,359,000 (for the six months period ended 30 June 2019: HK\$2,828,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*For the six months period ended 30 June 2020***5. INCOME TAX EXPENSE**

	Six months period ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	630	1,202
PRC Enterprise Income Tax	6,903	10,178
	<u>7,533</u>	<u>11,380</u>
Overprovision in prior years:		
Hong Kong Profits Tax	(263)	–
Deferred taxation	425	592
	<u>7,695</u>	<u>11,972</u>

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

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

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

6. PROFIT (LOSS) FOR THE PERIOD

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

	Six months period ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets		
– included in cost of sales	226	325
– included in administrative expenses	195	199
	<u>421</u>	<u>524</u>
Cost of inventories recognised as an expense	27,301	53,706
Depreciation of property, plant and equipment	3,810	4,478
Depreciation of right-of-use assets	13,567	11,602
Exchange loss (gain), net	111	(1,028)
Interest income from banks	(834)	(773)
Interest income from note receivable	(1,746)	(1,425)
Interest on bank borrowings	698	88
Interest on lease liabilities	1,361	1,093
Loss on disposals of property, plant and equipment	–	380
Grants received from local government (Note 1)	(1,714)	(2,194)
PRC incentive rebate (Note 2)	<u>(3,301)</u>	<u>(2,663)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*For the six months period ended 30 June 2020***6. PROFIT (LOSS) FOR THE PERIOD (CONTINUED)**

Notes:

1. The amounts represent grants provided by the relevant PRC authorities to certain PRC subsidiaries of the Group. There were no other terms to the grants and therefore, the Group recognised the grants in other income upon approvals being obtained from the relevant PRC authorities.
2. The amounts represent certain incentive to attract foreign investments from the relevant PRC local authorities in the form of incentive rebate in Tianjin, the PRC.

7. DIVIDEND

	Six months period ended 30 June	
	2020	2019
	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 2019 of HK1.3 cents per share (for the six months period ended 30 June 2019: for the year ended 31 December 2018 of HK2.5 cents per share)

14,821 28,500

Special dividend for the year ended 31 December 2019 of Nil (for the six months period ended 30 June 2019: for the year ended 31 December 2018 of HK2.5 cents per share)

—	28,500
14,821	57,000

The directors of the Company do not recommend the payment of an interim dividend for the six months period ended 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2020

8. EARNINGS (LOSS) PER SHARE

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

	Six months period ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings (loss)		
Profit (loss) for the period attributable to owners of the Company		
for the purposes of basic and diluted earnings (loss) per share	6,073	(8,617)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	1,140,039,000	1,140,003,878
Effective of dilutive potential ordinary shares in respect of outstanding share options	16,302,936	—
Weighted average number of ordinary shares for the purpose of dilutive earnings (loss) per share	1,156,341,936	1,140,003,878

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

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

During the six months period ended 30 June 2020, the Group acquired property, plant and equipment of HK\$11,983,000 (for the six months period ended 30 June 2019: HK\$5,027,000), mainly comprised of office equipment and leasehold improvement for business operations and expansion.

During the six months period ended 30 June 2020, the Group entered into new lease agreements for the use of properties ranging from 3 to 5 years (for the six months period ended 30 June 2019: 2 to 4 years). The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets of HK\$21,076,000 (for the six months period ended 30 June 2019: HK\$6,983,000) and lease liabilities of HK\$20,603,000 (for the six months period ended 30 June 2019: HK\$6,882,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*For the six months period ended 30 June 2020***10. TRADE RECEIVABLES**

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Trade receivables	158,025	128,515
Unbilled receivables	79,674	88,186
Less: Allowance for credit losses	(20,468)	(17,755)
	<u>217,231</u>	<u>198,946</u>

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 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
0 to 30 days	42,561	28,516
31 to 90 days	22,631	24,100
91 to 180 days	9,603	11,173
Over 180 days	62,762	46,971
	<u>137,557</u>	<u>110,760</u>

Included in the carrying amount of trade receivables as at 30 June 2020 is an amount of HK\$12,125,000 (31 December 2019: HK\$11,662,000) due from related parties controlled by a controlling shareholder of the Company.

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 2020, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$137,557,000 (31 December 2019: HK\$110,760,000) which are past due as at the reporting date. Out of the past due balances, HK\$72,365,000 (31 December 2019: HK\$58,144,000) has been past due more than 90 days and is not considered as in default since the amounts are still considered as recoverable based on historical experience and forward-looking estimates. The Group does not hold any collateral over these balances.

The basis of determining the inputs and assumptions and the estimation techniques for the assessment for the impairment losses under expected credit loss ("ECL") model used in the condensed consolidated financial statements for the six months period ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*For the six months period ended 30 June 2020***II. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Note receivable (Note)	60,000	–
Other receivables	10,263	7,168
Value-added tax recoverable	3,374	4,219
Interest receivables from note receivable	1,746	–
Prepayment of expenses	7,124	7,046
Rental deposits	6,300	5,990
PRC tax incentive rebate recoverable	5,566	5,147
Deposits paid for acquisition of property, plant and equipment	5,135	9,314
Government grants receivable	1,320	–
Other deposits	464	689
Less: Allowance for credit losses	(1,890)	–
	99,402	39,573
Analysed as:		
Current	91,251	27,949
Non-current – Deposits paid for acquisition of property, plant and equipment	5,135	9,314
Non-current – Rental deposits	3,016	2,310
	99,402	39,573

Note: On 6 January 2020, the Group subscribed one short term note of HK\$60,000,000 with a fixed interest rate of 6% per annum from an independent third party (the "Counterparty") being the original maturity date with 31 March 2020. Subsequently, the maturity date was further extended to 30 June 2020 and 31 December 2020, respectively upon the signing of supplemental deeds with the Counterparty, and all other terms remained the same.

As at 30 June 2020, this note receivable of HK\$60,000,000 (31 December 2019: Nil) is measured at amortised cost using the effective interest method, less any impairment and is guaranteed by a director of the Counterparty who is also the sole shareholder of the issuer of the note receivable.

As at 30 June 2020, the note receivable is not past due. 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 period ended 30 June 2020

12. CONTRACT ASSETS (LIABILITIES)

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Contract assets		
Interior design services	54,946	48,551
Interior decorating and furnishing services	3,747	3,384
	<u>58,693</u>	<u>51,935</u>

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 2020 is an amount of HK\$3,315,000 (31 December 2019: HK\$4,722,000) from related parties controlled by a controlling shareholder of the Company.

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Contract liabilities		
Interior design services	6,186	3,296
Interior decorating and furnishing services	12,045	10,545
	<u>18,231</u>	<u>13,841</u>

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*For the six months period ended 30 June 2020***13. 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 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
0 to 180 days	17,889	26,303
Over 180 days	17,656	11,380
	<u>35,545</u>	<u>37,683</u>

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

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Accrued staff benefits	14,153	22,569
Deposits received from customers	20,956	24,229
Other payables and accrued charges	6,267	7,315
	<u>41,376</u>	<u>54,113</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2020

14. BANK BORROWINGS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Secured	2,006	3,618
Unsecured	33,000	30,000
	35,006	33,618
The carrying amounts of the above borrowings that do not contain a repayment on demand clause and are repayable based on the scheduled repayment dates set out in the loan agreements within one year		
	–	2,232
The carrying amounts of the bank loans that contain a repayment on demand clause (shown under current liabilities) and the maturity analysis based on the scheduled repayment dates set out in the loan agreements are within one year		
	35,006	31,386
	35,006	33,618

As at 30 June 2020, included in the Group's borrowings of HK\$33,000,000 and HK\$2,006,000 (31 December 2019: HK\$30,000,000 and HK\$3,618,000) are variable-rate borrowings carrying interest at 2% to 3.25% (31 December 2019: 2% to 3.75%) over Hong Kong Interbank Offering Rate ("HIBOR") and 25% above benchmark interest rates (31 December 2019: 15% to 25% above benchmark interest rates) set by the People's Bank of China respectively. The secured borrowings were secured by pledged bank deposits amounting HK\$708,000 (31 December 2019: HK\$3,091,000). HK\$13,000,000 (31 December 2019: HK\$10,000,000) of the Group's unsecured borrowings are guaranteed by the Company.

15. SHARE CAPITAL

	Number of shares	HK\$
Ordinary shares of the Company of HK\$0.01 each		
Authorised		
At 1 January 2019, 31 December 2019 and 30 June 2020	4,000,000,000	40,000,000
Issued and fully paid		
At 1 January 2019	1,140,000,000	11,400,000
Issue of shares upon exercise of share options (Note)	39,000	390
At 31 December 2019 and 30 June 2020	1,140,039,000	11,400,390

Note: 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2020

16. PLEDGE OF ASSETS

As at 30 June 2020, the Group's bank borrowings are secured by pledged bank deposits of HK\$708,000 (31 December 2019: HK\$3,091,000), bearing interest ranges from 1.35% to 1.4% (31 December 2019: 1.4% to 2.3%) per annum.

17. CAPITAL COMMITMENTS

	At 30 June 2020 HK\$'000 (Unaudited)	At 31 December 2019 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	3,698	725

18. 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:

Relationship	Nature of transactions	Six months period ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Fellow subsidiaries	Consultancy services income	–	14
	Interest on lease liabilities	26	74
	Interior decorating and furnishing services income	–	2,368
	Interior design services income	1,835	1,462
	Referral fee	–	336
	Repayment of lease liabilities	844	796
Related company (Note)	Interior design service income	19	–

Note: Liu Zaiwang, a controlling shareholder of the Company holds controlling interests over the related company.

Included in lease liabilities is an amount of lease liabilities of HK\$378,000 (31 December 2019: HK\$1,119,000) due to a fellow subsidiary.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*For the six months period ended 30 June 2020***18. RELATED PARTY TRANSACTIONS (CONTINUED)****COMPENSATION OF KEY MANAGEMENT PERSONNEL**

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

	Six months period ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Basic salaries, allowance and other benefits	6,571	9,758
Discretionary bonus	474	984
Retirement benefits scheme contributions	319	355
	7,364	11,097

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

19. 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.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2020

20. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)**EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY (CONTINUED)**

At 30 June 2020, 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 2019: 30,278,400), representing 2.656% (31 December 2019: 2.656%) 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.

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 2019	Exercised during the year (Note 1)	Cancelled during the year (Note 2)	Outstanding at 31 December 2019	Exercised during the period	Cancelled during the period	Outstanding at 30 June 2020
5 July 2018	0.44	6,096,720	(39,000)	(2,040)	6,055,680	–	–	6,055,680
		6,096,720	–	(41,040)	6,055,680	–	–	6,055,680
		6,096,720	–	(41,040)	6,055,680	–	–	6,055,680
		6,096,720	–	(41,040)	6,055,680	–	–	6,055,680
		6,096,720	–	(41,040)	6,055,680	–	–	6,055,680
		<u>30,483,600</u>	<u>(39,000)</u>	<u>(166,200)</u>	<u>30,278,400</u>	<u>–</u>	<u>–</u>	<u>30,278,400</u>
Weighted average exercise price		<u>HK\$0.44</u>	<u>HK\$0.44</u>	<u>HK\$0.44</u>	<u>HK\$0.44</u>	<u>N/A</u>	<u>N/A</u>	<u>HK\$0.44</u>

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*For the six months period ended 30 June 2020***20. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)****EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY (CONTINUED)**

The Group recognised the total expense of HK\$842,000 for the six months period ended 30 June 2020 (six months period ended 30 June 2019: HK\$574,000) 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 prior period.