

DESIGN WITHOUT LIMITS

STEVE LEUNG DESIGN GROUP LIMITED

INTERIM REPORT 2024
Stock Code : 2262



CONTENTS

Corporate Information	02
Management Discussion and Analysis	04
Corporate Governance and Other Information	16
Report on Review of Interim Condensed Financial Statements	23
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	24
Condensed Consolidated Statement of Financial Position	25
Condensed Consolidated Statement of Changes in Equity	26
Condensed Consolidated Statement of Cash Flows	28
Notes to the Condensed Consolidated Financial Statements	29

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

LEUNG Chi Tien Steve
SIU Man Hei (*Chief Executive Officer*)
YIP Kwok Hung Kevin (*Chief Financial Officer*)
DING Chunya

Non-Executive Directors

XU Xingli (*Chairman*)
DING Jingyong

Independent Non-Executive Directors

LIU Yi
TSANG Ho Ka Eugene
WANG Wanjun (appointed on 5 July 2024)
SUN Yansheng (resigned on 5 July 2024)

AUDIT COMMITTEE

TSANG Ho Ka Eugene (*Chairman*)
LIU Yi
WANG Wanjun (appointed on 5 July 2024)
SUN Yansheng (resigned on 5 July 2024)

REMUNERATION COMMITTEE

LIU Yi (*Chairman*) (appointed on 5 July 2024)
XU Xingli
TSANG Ho Ka Eugene
SUN Yansheng (*Chairman*) (resigned on 5 July 2024)

NOMINATION COMMITTEE

XU Xingli (*Chairman*)
LIU Yi (appointed on 5 July 2024)
TSANG Ho Ka Eugene
SUN Yansheng (resigned on 5 July 2024)

RISK MANAGEMENT COMMITTEE

TSANG Ho Ka Eugene (*Chairman*)
YIP Kwok Hung Kevin (*Chief Financial Officer*)
SIU Man Hei (*Chief Executive Officer*)

INVESTMENT COMMITTEE

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

COMPANY SECRETARY

YIP Kwok Hung Kevin (*Chief Financial Officer*)

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

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23 Wang Tai Road
Kowloon Bay
Hong Kong

CORPORATE INFORMATION (CONTINUED)**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

STOCK CODE

2262

COMPANY'S WEBSITE

www.sldgroup.com

INVESTOR RELATIONS CONTACT

ir@steveleung.com

**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*)

INDEPENDENT EXTERNAL AUDITOR

BDO Limited
Certified Public Accountants
Registered Public Interest Entity Auditor in accordance with
the Financial Reporting Council Ordinance

PRINCIPAL BANKERS

Hang Seng Bank Limited
Dah Sing Bank

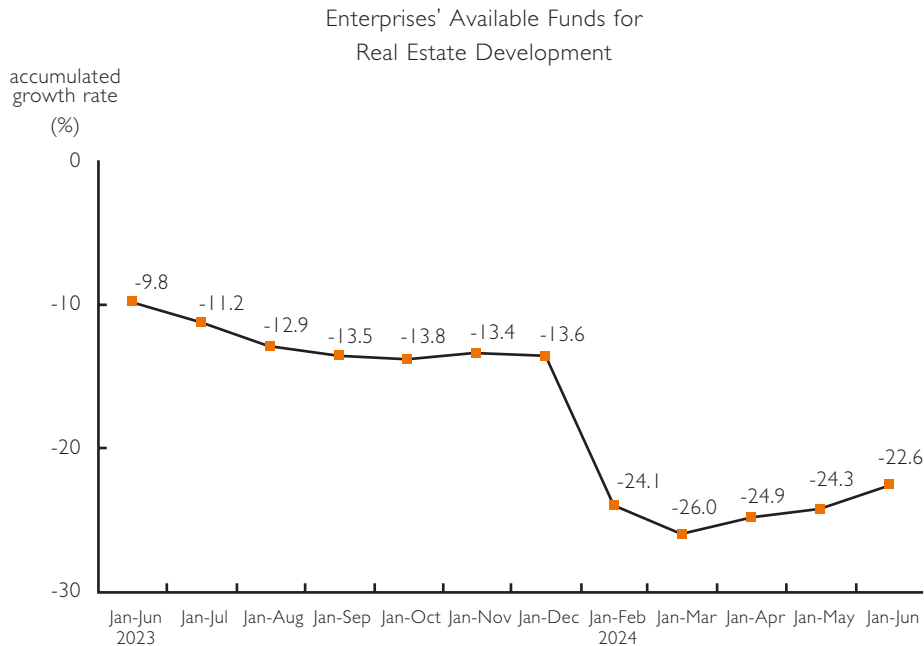
MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In the first half of 2024, the global economy continued the sluggish trend of 2023, showing little progress. The International Monetary Fund (IMF) projected in its World Economic Outlook published in July 2024 that economic growth will probably remain at 3.2% for the year 2024. Emerging markets and developing economies in Asia, particularly People's Republic of China (the "PRC"), are expected to grow at a rate above the global average, though this growth will also slow compared to 2023.

Amid weak national economic growth, the domestic real estate market shows no signs of recovery. While developers are prioritising overdue project completion and delivery, the scale of new project development is further reduced. According to data released by the National Bureau of Statistics of China (the "NSBC"), investment of real estate has experienced negative growth over the past 12 months. For the six months period ended 30 June 2024 (the "Period"), accumulated investment in national real estate declined by 10.1% compared to the six months period ended 30 June 2023 (the "Previous Period"). The floor area of real estate under construction has also decreased significantly, with floor area of residential project under construction down by 12.5% during the Period compared to the Previous Period.

In addition to the slowdown in development and construction, available funds to real estate developers have further declined. During the Period, enterprises' available funds for real estate development dropped by 22.6% compared to the Previous Period.



Source: the NSBC

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PRC domestic real estate companies are struggling to survive amid market contraction. According to the statistics released from a PRC financial database organisation “Wind”, as of 15 July 2024, 61 PRC-listed companies engaged in real estate business have released their interim performance estimate for the Period. Among them, 41 expect to report net losses, with 21 projected to shift from profit to loss compared to the Previous Period.

The Chinese government continues to express goodwill towards the long-term development of the real estate sector. Mr. Han Wenxiu, deputy director of the Office of the Central Committee of Finance and Economic and director of Office of the Central Leading Group for the Rural Work, stated in July 2024 that the current supply-demand dynamics in the real estate market have been undergoing significant changes, indicating that the market is in a phase of adjustment. He emphasised the need to promote stable and healthy development, which includes managing existing inventory and optimising new supply. This involves further implementing and refining new real estate policies and accelerating the establishment of a new model for the sector, moving away from the previous model of “high debt, high turnover, high leverage”. Deputy director Han also highlighted the importance of expanding domestic demand to create development space, ensuring the PRC economy achieves high-quality enhancement and reasonable growth amid unstable international environment.

Local real estate regulation measures tailored to specific conditions have continued to emerge across various PRC cities. According to the monitoring data from the China Index Academy, in the first half of 2024, approximately 180 provinces and cities implemented over 360 policies, including easing purchase restrictions and increasing mortgage limits. However, these measures have had limited impact on boosting the national real estate market, with both supply and demand showing signs of weakness in the first half of 2024. Moreover, while policies aimed at “de-stocking” have had a more significant effect on the secondary housing market, the new housing market has yet to show improvement.

OVERALL PERFORMANCE AND BUSINESS REVIEW

As an upstream industry of the real estate industry, the interior design market continues to face pressure under the current market conditions. The Group experienced a decline in newly award contract sum of approximately 14.2% during the Period compared to the Previous Period.

In response to market changes, the Group is actively seeking to diversify its project developments beyond the residential market. These efforts are gradually yielding results, with increased revenue from sectors such as commercial and other projects. This has allowed the Group to maintain an upward trend in revenue during the Period. Furthermore, through ongoing cost reduction and efficiency enhancement measures, gross profit margin has seen a slight increase, and the level of net losses has further significantly narrowed.

Total revenue of the Group increased by approximately 3.9% to approximately HK\$164.5 million during the Period (Previous Period: approximately HK\$158.4 million). Gross profit of the Group increased by approximately 5.8% to approximately HK\$63.9 million during the Period (Previous Period: approximately HK\$60.4 million). Gross profit margin therefore increased from approximately 38.1% for the Previous Period to approximately 38.8% for the Period, mainly attributable to the decrease in cost, resulting from the continuous implementation of effective cost control measures. As a result of the decrease in operating costs and expenses as well as narrowed provision in impairment losses, the Group eventually further narrowed its net loss to approximately HK\$7.4 million for the Period (Previous Period: approximately HK\$17.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group also maintained a stable pipeline during the Period. As at 30 June 2024, the aggregate remaining contract sum of the Group was approximately HK\$538.3 million (31 December 2023: approximately HK\$454.1 million). The stable contract pipeline will provide a solid backing for the Group, supporting the Group to adapt to and overcome the difficulties in the market turmoil.

Despite the volatile external operating environment, the cash position and liquidity of the Group remains positive. As at 30 June 2024, the bank balances and cash of the Group were approximately HK\$99.6 million (31 December 2023: approximately HK\$148.9 million) and the current ratio remained at approximately 2.6 (31 December 2023: approximately 2.5). The reduction of bank balances and cash was mainly due to the decelerated operating cash inflow and repayment of bank borrowing during the Period.

The following table states the Group's remaining contract sum and its movement during the periods indicated:

	For the six months period ended 30 June 2024				For the six months period ended 30 June 2023			
	SLD HK\$ million	SLL HK\$ million	JHD HK\$ million	Total HK\$ million	SLD HK\$ million	SLL HK\$ million	JHD HK\$ million	Total HK\$ million
Remaining contract sum at the beginning of the period	250.6	114.5	89.0	454.1	212.5	117.9	99.1	429.5
Add: New contract sum awarded during the period	143.4	110.9	38.0	292.3	194.0	100.5	46.2	340.7
Less: VAT for newly awarded contracts	(7.0)	(12.2)	(2.2)	(21.4)	(9.6)	(10.8)	(2.6)	(23.0)
Less: Revenue recognised during the period	(99.1)	(39.6)	(25.1)	(163.8)	(94.8)	(37.4)	(24.8)	(157.0)
Less: Variation order	(14.9)	(5.1)	(0.6)	(20.6)	(23.5)	(17.9)	(3.9)	(45.3)
Less: Exchange realignments	(1.7)	(0.5)	(0.1)	(2.3)	(10.2)	(5.0)	(3.2)	(18.4)
Remaining contract sum at the end of the period	271.3	168.0	99.0	538.3	268.4	147.3	110.8	526.5

Compared with the Previous Period, new contract sum awarded for the Period decreased under the unfavourable market sentiment. However, as the amount of new contract sum awarded during the Period was greater than that of completed, reduced or terminated, the remaining contract sum for SLD, SLL and JHD increased from approximately HK\$250.6 million, HK\$114.5 million and HK\$89.0 million as at 31 December 2023 to approximately HK\$271.3 million, HK\$168.0 million and HK\$99.0 million as at 30 June 2024, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table states the Group's new contract sum by brand and types of projects awarded during the periods indicated:

	For the six months period ended 30 June 2024				For the six months period ended 30 June 2023			
	SLD HK\$ million	SLL HK\$ million	JHD HK\$ million	Total HK\$ million	SLD HK\$ million	SLL HK\$ million	JHD HK\$ million	Total HK\$ million
New contract sum awarded during the period								
Residential project	109.5	109.2	8.6	227.3	115.8	94.6	3.3	213.7
Private residence project	12.5	0.1	–	12.6	8.8	2.8	–	11.6
Hospitality project	10.6	1.3	10.9	22.8	55.6	2.5	15.0	73.1
Commercial project	10.8	0.3	16.7	27.8	2.0	–	25.0	27.0
Others	–	–	1.8	1.8	11.8	0.6	2.9	15.3
Total	143.4	110.9	38.0	292.3	194.0	100.5	46.2	340.7

The new contract sum awarded dropped by approximately 14.2% from approximately HK\$340.7 million for the Previous Period to approximately HK\$292.3 million for the Period. The drop was mainly contributed from the hospitality sector that a one-off prestige membership club contract with contract sum of approximately HK\$41.9 million was awarded during the Previous Period, while none was noted during the Period.

The following table sets forth the breakdown of remaining contract sum by brand and types of projects as at the dates indicated:

	As at 30 June 2024					As at 31 December 2023				
	SLD HK\$ million	SLL HK\$ million	JHD HK\$ million	Total HK\$ million	% of total remaining contract sum %	SLD HK\$ million	SLL HK\$ million	JHD HK\$ million	Total HK\$ million	% of total remaining contract sum %
Remaining contract sum										
Residential project	185.3	163.5	17.7	366.5	68.1	154.1	109.0	14.4	277.5	61.1
Private residence project	39.2	1.2	–	40.4	7.5	32.8	1.8	–	34.6	7.6
Hospitality project	28.5	1.9	29.6	60.0	11.1	44.4	1.8	26.3	72.5	16.0
Commercial project	14.8	0.4	35.9	51.1	9.5	9.9	0.4	32.6	42.9	9.4
Others	3.5	1.0	15.8	20.3	3.8	9.4	1.5	15.7	26.6	5.9
Total	271.3	168.0	99.0	538.3	100.0	250.6	114.5	89.0	454.1	100.0

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table sets forth the breakdown of revenue by brand and types of projects during the periods indicated:

	For the six months period ended 30 June 2024					For the six months period ended 30 June 2023				
	SLD HK\$ million	SLL HK\$ million	JHD HK\$ million	Total HK\$ million	% of total revenue %	SLD HK\$ million	SLL HK\$ million	JHD HK\$ million	Total HK\$ million	% of total revenue %
Revenue										
Residential project	58.8	37.4	4.8	101.0	61.4	61.0	34.5	3.2	98.7	62.3
Private residence project	5.5	0.7	–	6.2	3.8	7.4	1.9	–	9.3	5.9
Hospitality project	23.1	0.8	6.9	30.8	18.7	22.1	1.0	8.8	31.9	20.1
Commercial project	5.5	–	11.9	17.4	10.6	2.5	–	10.8	13.3	8.4
Others	6.9	0.7	1.5	9.1	5.5	3.2	–	2.0	5.2	3.3
Total	99.8	39.6	25.1	164.5	100.0	96.2	37.4	24.8	158.4	100.0

As mentioned above, the Group's total revenue increased by approximately 3.9% during the Period. The increase was mainly resulted from the increase in revenue from commercial and other types of projects. Detailed performance of each segment was analysed as below.

SL D

SLD (Steve Leung Design) segment includes the "Steve Leung" brand, such as SLD, SLC, SLH, SL2.0, SLA, SLW, etc. All these brands cover the provision of interior design and product design for different project types and natures. This segment is also the major business segment of the Group.

During the Period, this segment maintained its main focus on the residential project sector. The entire SLD brand contributed approximately 60.7% to the Group's revenue (Previous Period: approximately 60.7%). Segment revenue increased from approximately HK\$96.2 million for the Previous Period to approximately HK\$99.8 million for the Period, representing a slight increase of approximately 3.7%. The increase in revenue was mainly arising from the increase in revenue from commercial and other types of projects as a result of the implementation of diversification strategy to compensate the decrease in revenue from residential projects under the prudent market sentiment.

Another important component of this segment is the provision of and the licensing arrangement for product design services, which adds value to the overall interior design, decorating, and furnishing layout of projects, hence enhancing client satisfaction. This is one of the Group's important marketing and branding strategies. During the Period, revenue generated from license fee amounted to approximately HK\$0.7 million (Previous Period: approximately HK\$1.4 million).

As at 30 June 2024, this business segment had a remaining contract sum of approximately HK\$271.3 million (31 December 2023: approximately HK\$250.6 million), which is expected to be realised based on the stages of completion and the general progress of projects in the second half of 2024 and 2025.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SLL

SLL (Steve Leung Lifestyle) segment represents another “Steve Leung” brand that focuses on the provision of interior decorating and furnishing design services and trading of interior decorative products. This segment complements with the interior design services provided by the Group under SLD brand to further perfect the projects of the Group. Revenue for this segment was largely contributed by the trading of interior decorative products, which would be recognised upon delivery of interior decorative products to the physical sites.

This segment contributed approximately 24.0% to the Group's total revenue for the Period (Previous Period: approximately 23.6%). SLL performed relatively stable during the Period and remained focused on the residential project sector. Revenue for SLL recorded an increase of approximately 5.9% to approximately HK\$39.6 million during the Period (Previous Period: approximately HK\$37.4 million).

As at 30 June 2024, this business segment had a remaining contract sum of approximately HK\$168.0 million (31 December 2023: approximately HK\$114.5 million), which is expected to be realised based on the stages of completion of projects and the delivery of interior decorative products.

Riding on the Group's extensive experience and expertise in interior design, along with a stable pipeline, it is expected that SLL will remain strong and stable during this sluggish period.

JHD

JHD (Jangho Design) segment refers to the provision of interior design, interior decorating and furnishing design services and trading of interior decorative products under the “Jangho” brand which mainly focuses on hospitality and commercial project sectors in the PRC.

JHD contributed approximately 15.3% of the Group's total revenue for the Period (Previous Period: approximately 15.7%). Performance of JHD was stable during the Period, with segment revenue slightly increased by approximately 1.2%, from approximately HK\$24.8 million for the Previous Period to approximately HK\$25.1 million for the Period.

As at 30 June 2024, this business segment had a remaining contract sum of approximately HK\$99.0 million (31 December 2023: approximately HK\$89.0 million), which is expected to be realised based on the stages of completion, the general progress of projects, and the delivery of interior decorative products in the second half of 2024 and 2025.

FINANCIAL REVIEW

REVENUE AND GROSS PROFIT

During the Period, the Group's revenue increased by approximately HK\$6.1 million or 3.9%, from approximately HK\$158.4 million for the Previous Period to approximately HK\$164.5 million for the Period. The increase in total revenue was mainly contributed by the increase in revenue from commercial and other types of projects as a result of the gradual success in the implementation of diversification strategy of the Group.

The Group's revenue can be segregated into three major natures, which consists of (i) service revenue from provision of interior design services, interior decorating and furnishing design services and product design services, (ii) trading income from trading of interior decorating products and (iii) license fee revenue from product design service.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The following table states the Group's breakdown of revenue and gross profit by brand and nature during the periods indicated:

REVENUE AND GROSS PROFIT BY BRAND AND NATURE

	For the six months period ended 30 June 2024				For the six months period ended 30 June 2023			
	SLD HK\$ million	SLL HK\$ million	JHD HK\$ million	Total HK\$ million	SLD HK\$ million	SLL HK\$ million	JHD HK\$ million	Total HK\$ million
Service revenue	99.1	5.6	23.3	128.0	94.8	3.6	24.8	123.2
License fee revenue	0.7	–	–	0.7	1.4	–	–	1.4
Trading income	–	34.0	1.8	35.8	–	33.8	–	33.8
Total Revenue	99.8	39.6	25.1	164.5	96.2	37.4	24.8	158.4
Gross Profit	45.4	12.2	6.3	63.9	42.9	10.1	7.4	60.4
Gross Profit Margin	45.5%	30.8%	25.1%	38.8%	44.6%	27.0%	29.8%	38.1%

Service revenue increased from approximately HK\$123.2 million for the Previous Period to approximately HK\$128.0 million for the Period. The increase in service revenue is mainly attributable to the improving performance in the commercial projects.

The Group's gross profit increased by approximately HK\$3.5 million or 5.8%, from approximately HK\$60.4 million for the Previous Period to approximately HK\$63.9 million for the Period, while gross profit margin increased to approximately 38.8% (Previous Period: approximately 38.1%). The increase was primarily due to the continuous optimisation of overall costs during the Period.

OTHER GAINS AND LOSSES

The Group recorded other losses of approximately HK\$2.9 million for the Period as compared with approximately HK\$1.2 million for the Previous Period. The increase in other losses was primarily due to the provision for litigations during the Period. For details, please refer to notes 6, 12 and 15 to the condensed consolidated financial statements of this report.

IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND CONTRACT ASSETS UNDER EXPECTED CREDIT LOSS MODEL

Impairment losses on trade receivables and contract assets for the Period were approximately HK\$5.4 million (Previous Period: approximately HK\$9.8 million). The decrease was mainly attributed to the gradual improvement in the recovery rate of trade receivables, along with a lower forward-looking default rate due to the current less volatile credit market. This contrasts with the deep crisis amidst the pandemic and market turmoil during the past few years. For details, please refer to the section headed "Credit Risk Exposure" of this report.

OTHER INCOME

Other income of the Group mainly includes the membership fee received from the Group's newly established "Design Hub", a design-driven social community, by utilising its vacant office space, government grants, interest income from bank deposits and PRC incentive rebates. Other income remained stable, amounting to approximately HK\$1.0 million for the Period (Previous Period: approximately HK\$0.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SELLING EXPENSES

Selling expenses of the Group decreased from approximately HK\$8.8 million for the Previous Period to approximately HK\$7.7 million for the Period, representing a decrease of approximately 12.5% during the Period. The decrease was mainly due to the decrease in staff cost from the optimisation of staff resources and manpower during the Period.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group decreased from approximately HK\$56.5 million for the Previous Period to approximately HK\$51.5 million for the Period, representing a decrease of approximately 8.8% during the Period. The decrease was mainly attributable to the continued cost control and manpower streamlining measures implemented during the Period.

FINANCE COSTS

Finance costs of the Group comprised interest on lease liabilities and the bank borrowings for financing the Group's operations. Finance costs remained stable from approximately HK\$2.1 million for the Previous Period to approximately HK\$2.0 million for the Period.

LOSS FOR THE PERIOD

As a result of the continuous decrease in cost and expenses and the narrowed provision in impairment losses during the Period, the Group's loss further significantly decreased from approximately HK\$17.8 million for the Previous Period to approximately HK\$7.4 million for the Period.

BASIC LOSS PER SHARE

The Company's basic loss per share for the Period was approximately HK0.54 cents (Previous Period: approximately HK1.52 cents per share). The decrease was in line with the reduction of loss for the Period.

OUTLOOK AND PROSPECTS

The economic outlook for the second half of 2024 remains uncertain. Several countries, including the United States, will hold elections this year, potentially leading to significant changes in geopolitical dynamics and economic policies, which may further increase macroeconomic uncertainties. The potential decision by the U.S. Federal Reserve to cut interest rates, as anticipated by the market, will also influence the overall economy.

In PRC, while domestic economic development remains relatively stable, the real estate market is still undergoing substantial adjustments with unprecedented transformations and reshuffling. Developers are expected to face ongoing challenges related to financing and inventory reduction, and consumer confidence is unlikely to recover in the short term, making the medium to short-term outlook for the real estate sector less optimistic, even in the face of survival crisis.

However, the Chinese government is committed to promoting a stable and healthy real estate market. Favorable policies for both supply and demand continue to be introduced. As these policies are gradually implemented and housing demand is released, the downward trend in the market may begin to slowdown in the latter half of 2024.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

While maintaining a cautiously optimistic view on the external economic environment and market developments, the Group will continue to actively diversify to mitigate risks. This includes expanding our presence in sectors such as hotels, prestige membership clubs, and catering, while providing professional interior design services for a variety of projects. The Group will also explore collaborations with high-end brands from different industries to enhance its brand recognition through synergistic benefits.

Additionally, the Group will focus on expanding its footprint within the interior design industry by strengthening collaborations with independent and international designers, fostering innovative thinking within its teams. The Group remains open to potential acquisition opportunities to maximise the added value of its services, expand client base and further broaden its source of revenue.

Despite the rapidly changing external environment, the Company will persistently enhance its competitiveness, aiming to capture market share. During this turbulent period, the Company will seek stability while progressing and maximising the value of the shareholders of the Company (the “Shareholders”).

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 on internally generated funds and bank borrowings to finance its operations and expansion.

As at 30 June 2024, the Group’s total debt (representing total interest-bearing borrowings excluding lease liabilities arising from the adoption of HKFRS 16) to total asset ratio was approximately 4.3% (31 December 2023: approximately 6.0%). 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 6.7% (31 December 2023: approximately 9.9%). The Group had net cash (bank balances and cash (including pledged bank deposits) less total debt) of approximately HK\$79.6 million as at 30 June 2024 (31 December 2023: approximately HK\$119.1 million). The reduction in net cash was mainly contributed by the repayment of bank borrowings and the further slowdown of the overall project progress and collections from clients of the Group.

The bank borrowings of approximately HK\$20.0 million as at 30 June 2024 (31 December 2023: approximately HK\$30.0 million) were unsecured and guaranteed by the Company. No bank borrowings were secured by pledged bank deposits. Details are disclosed in note 13 to the condensed consolidated financial statements of this report. Further costs for operations and expansion will be partially financed by unutilised bank facilities. As at 30 June 2024 and up to the date of this report, the bank borrowings were mainly for financing the Group’s daily operation.

The liquidity of the Group maintained stable as the current ratio (current assets/current liabilities) of the Group as at 30 June 2024 was approximately 2.6 (31 December 2023: approximately 2.5). 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 balance the risk and opportunity in maximising Shareholders’ value.

As at 30 June 2024, the share capital and equity attributable to owners of the Company amounted to approximately HK\$11.4 million (31 December 2023: approximately HK\$11.4 million) and approximately HK\$297.6 million (31 December 2023: approximately HK\$304.5 million), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PLEDGE OF ASSETS AND RESTRICTED BANK BALANCES

As at 30 June 2024, no bank deposit (31 December 2023: approximately HK\$0.2 million was pledged to a bank to secure a performance bond) was pledged to any bank. For details, please refer to note 15 to the condensed consolidated financial statements of this report.

As at 30 June 2024, there were restricted bank balances of approximately HK\$2.3 million (31 December 2023: approximately HK\$1.7 million) which was due to legal disputes in the PRC. For details, please refer to notes 6, 12 and 15 to the condensed consolidated financial statements of this report.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

The Group did not have any contingent liabilities as at 30 June 2024. As at 31 December 2023, the Group had a contingent liability of approximately HK\$1.7 million due to a legal dispute in the PRC. For details, please refer to notes 6, 12 and 15 to the condensed consolidated financial statements of this report.

The Group did not have any capital commitments as at 30 June 2024 and 31 December 2023.

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

The Group's bank borrowings as at 30 June 2024 were in Hong Kong dollars and have been made at floating rates. The Group operates in various regions under different foreign currencies, including Renminbi and United States Dollar. The exchange rate of the United States Dollar was relatively stable while that of Renminbi was more volatile during the Period. The Group currently has no hedging arrangements for foreign currencies or interest rates. The Group reviews the currency exchange risks regularly and closely monitors the fluctuation of foreign currencies. The Group will make proper adjustments and consider hedging arrangements if necessary.

CREDIT RISK EXPOSURE

The Group's credit risk is primarily attributable to its trade receivables and contract assets. Although the Group's major clients are institutional organisations and reputable property developers, due to forward-looking uncertainties arising from the external market and financing environment, the credit risk continued to maintain at high level. According to the statistics released by CRIC (克而瑞), contract sales of 100 typical real estate enterprises in July 2024 fell by more than 35% compared with the previous month, and fell by around 20% compared with the same period last year. In terms of cumulative performance from January to July 2024, contract sales of the 100 typical real estate enterprises further fell by approximately 37.5%. The poor sales performance will further aggravate the financial position of the developers and credit risk exposure of the Group.

The Group has adopted prudent credit policies to deal with credit risk exposure. The Group performs continuous credit evaluations of the financial conditions of its clients and other monitoring procedures to ensure that appropriate follow-up actions have been taken to recover any overdue debts. Although the Group generally does not grant any credit period to its clients, for some specific individual clients, credit period is considered on a case-by-case basis. The Group performs monthly review on ageing periods of receivables and project progress, and takes debts recovery actions for long aged debts or slow-moving projects unless the Group has reasonable and supportable information justifying not to do so. The Group will also actively seek collaterals for trade receivables from client group with significantly increased credit risk or credit-impaired.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Group reviews the recoverable amount of trade receivables and contract assets on a collective basis, other than significant balances or credit-impaired which are reviewed individually, so as to ensure that adequate impairment losses would be made for irrecoverable amounts. In the impairment loss assessment, the Group takes into account the characteristics and credit risks of different clients, ageing analysis, historical and subsequent settlement, any litigations or business disputes with clients, and other observable changes in economic conditions that correlate with default on receivables. By reference to historical settlement records, normally it takes approximately 3 years for the Group to collect its outstanding debts. Despite seemingly longer recovery period, in general, the Group can subsequently collect and/or realise most of the trade receivables and contract assets through the Group's debt collection mechanism.

As at 30 June 2024, trade receivables (in gross amount) was approximately HK\$238.7 million (31 December 2023: approximately HK\$227.9 million), while contract assets (in gross amount) was approximately HK\$138.7 million (31 December 2023: approximately HK\$114.6 million). The total trade receivables and contract assets (in gross amount) increased from approximately HK\$342.5 million as at 31 December 2023 to approximately HK\$377.4 million as at 30 June 2024. The increase in contract assets and trade receivables was mainly due to the i) persistent instability of the real estate sales market, which made the clients of the Group more cautious about the approval process of design drawings; and ii) Group's debt collection strategy by withholding certain design drawings until the outstanding balance of previous stage was settled.

As at 30 June 2024, the accumulated allowance for credit losses was approximately HK\$131.3 million (31 December 2023: approximately HK\$126.3 million), among which the accumulated allowance for credit losses for trade receivables and contracts assets were approximately HK\$87.0 million (31 December 2023: approximately HK\$91.8 million) and HK\$44.3 million (31 December 2023: approximately HK\$34.4 million) respectively. The average loss rate was approximately 34.8% (31 December 2023: approximately 36.9%), among which the average loss rate for trade receivables and contract assets were approximately 36.4% (31 December 2023: approximately 40.3%) and 31.9% (31 December 2023: approximately 30.0%) respectively. Despite the increase in the overall accumulated allowance due to uncertainties in client settlement, the decrease in the average loss rate is attributed to the effective collection methods employed, which include taking legal actions and engaging external collections professionals to handle long aged trade receivables. As of the date of this report, approximately HK\$33.7 million of the trade receivables as at 30 June 2024 have subsequently been settled.

Based on the Group's review of the project progress, ageing period, settlement record and financial positions of clients and other available forward-looking information as mentioned above, the Directors believe that the impairment loss assessment on the trade receivables and contract assets as at 30 June 2024 has been performed appropriately and sufficient impairment losses has been made.

Saved as disclosed above, there is no other significant credit risk exposure. The Directors understand that market conditions are volatile and the projects and payment cycle are prolonged. The Group's management will continue to review the recoverability of trade receivables and contract assets and closely monitor the financial position and creditability of its clients in response to the rapid changing market and business environment.

RISK MANAGEMENT

In order to broaden the sources of revenue, the Group is actively looking for opportunities to diversify its project nature and business. The Group will evaluate the market conditions and make decisions to ensure effective implementation of the Group's expansion strategy from time to time. The Group will continue to strengthen the internal control and risk control procedures by regularly reviewing the market risk (including foreign exchange risk and interest rate risk), operation risk, finance risk, policy risk, legal risk, contract risk and credit risk of the clients and the markets.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2024 and up to the date of this report which may materially affect the Group's operating and financial performance.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2024, the Group had 399 (30 June 2023: 409) full-time employees. The total remuneration of the employees (including the Directors' remuneration) were approximately HK\$82.2 million for the Period (Previous Period: approximately HK\$87.8 million). The decrease in total remuneration of the employees was mainly due to the decrease in the number of employees and average salaries of employees during the Period as a result of re-allocation of staff resources and optimisation of cost. To retain competitiveness, the Group offers attractive remuneration policy, discretionary bonus and share options may also be granted to eligible staff based on individual performance in recognition of their contribution and hard work. The Group also provides external training programmes which are complementary to certain job functions.

SIGNIFICANT INVESTMENTS/MATERIAL ACQUISITION AND DISPOSALS

The Group did not hold any significant investments as at 30 June 2024.

The Company made no material acquisition and disposal of subsidiaries, associates or joint ventures during the Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have any solid plans for material investments and capital assets as at 30 June 2024.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the staff, Shareholders, business partners and other professional parties of the Group for their support and commitment to the Group over these periods.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board resolved not to declare the payment of any interim dividend for the Period.

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

As at 30 June 2024, 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 C3 to The Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") to be notified to the Company and the Stock Exchange are set out as follows:

Name of Directors or chief executives	Long/Short position	Capacity/ Nature of interest	Number of shares held	Number of underlying shares held	Approximate percentage of the issued share capital of the Company ^(Note 1)
Mr. Leung Chi Tien, Steve ^(Note 2)	Long	Interest in controlled corporation	256,500,000	–	22.47%
Mr. Siu Man Hei	Long	Beneficial owner	–	10,032,000	0.88%
Mr. Ding Jingyong	Long	Beneficial owner	90,000	–	0.01%

Notes:

- On the basis of 1,141,401,000 shares in issue as at 30 June 2024.
- 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.

Save as disclosed in the foregoing, as at 30 June 2024, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

As at 30 June 2024, the interests and/or short positions of the persons (other than being a Director or chief executive of the Company) in the shares and the underlying shares of the Company as notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under Section 336 of the SFO, are set out as follows:

Name of shareholders	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	52.44%
Peacemark Enterprises Limited ^(Note 2)	Long	Interest in controlled corporation	598,500,000	52.44%
Jangho Hong Kong Holdings Limited ^(Note 3)	Long	Interest in controlled corporation	598,500,000	52.44%
Jangho Group Co., Ltd. ^(Note 4)	Long	Interest in controlled corporation	598,500,000	52.44%
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	52.44%
Mr. Liu Zaiwang ^(Note 6)	Long	Interest in controlled corporation	598,500,000	52.44%
Ms. Fu Haixia ^(Note 7)	Long	Interest of spouse	598,500,000	52.44%
Sino Panda	Long	Beneficial owner	256,500,000	22.47%
Ms. Chan Siu Wan ^(Note 8)	Long	Interest of spouse	256,500,000	22.47%
Maple Global Capital Limited	Long	Beneficial owner	113,496,000	9.94%
Mr. He Yaohua ^(Note 9)	Long	Interest in controlled corporation	113,496,000	9.94%

Notes:

- On the basis of 1,141,401,000 shares in issue as at 30 June 2024.
- Eagle Vision Development Limited ("**Eagle Vision**") is beneficially owned as to approximately 42.86% by Peacemark Enterprises Limited ("**Peacemark Enterprises**") and therefore Peacemark Enterprises is deemed to be interested in the shares held by Eagle Vision under the SFO.
- 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.
- 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.
- 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

6. Jangho Co. is beneficially owned as to approximately 27.35% by Jiangheyuan (a company which is 85% and 15% beneficially owned by Mr. Liu and his spouse Ms. Fu, respectively), and beneficially owned as to approximately 25.07% by Mr. Liu and therefore, Mr. Liu is deemed to be interested in the shares indirectly held by Jangho Co. through Jangho HK, Peacemark Enterprises and Eagle Vision under the SFO.
7. Ms. Fu is the spouse of Mr. Liu and is therefore deemed to be interested in the shares that Mr. Liu is interested in under the SFO.
8. 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.
9. Maple Global Capital Limited is wholly and beneficially owned by Mr. He Yaohua and therefore Mr. He Yaohua is deemed to be interested in the shares held by Maple Global Capital Limited under the SFO.

Save as disclosed above, as at 30 June 2024, the Company had not been notified of any persons (other than being a Director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, which are required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or 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 (the “**Pre-IPO Share Option Scheme**”) for the primary purpose of recognising the contribution of certain senior management, employees, 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, representing approximately 10.0% of the total number of issued shares of the Company as at the date of this report).

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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.

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	As at 1 January 2024	Number of options		As at 30 June 2024
			exercised during the Period	forfeited 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	18,662,400	—	—	18,662,400
Total		28,694,400	—	—	28,694,400

Except as set out above, no other options have been granted or agreed to be granted by the Company under the Pre-IPO Share Option Scheme during the Period. For further details, please refer to note 18 to the condensed consolidated financial statements of this report.

Subsequent to the Period, all share options granted under the Pre-IPO Share Option Scheme were fully lapsed on 1 July 2024.

SHARE OPTION SCHEME

On 11 June 2018, the Company adopted a share option scheme (“**Share Option 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 Share Option Scheme, the Board shall be entitled at any time during the life of the Share Option 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group ("**Executives**");
- (b) 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;
- (c) a director or proposed director (including an independent non-executive director) of any member of the Group;
- (d) a direct or indirect shareholder of any member of the Group;
- (e) a supplier of goods or services to any member of the Group;
- (f) a client, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;
- (g) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and
- (h) an associate (as defined in the Listing Rules) of any of the persons referred to in paragraphs (a) to (g) above.

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 Share Option 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 Share Option 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 Share Option 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, representing approximately 10.0% of the total number of issued shares of the Company as at the date of this report). 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 Share Option 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 Option). 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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 Share Option 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 Share Option Scheme shall be valid and effective for a period of 10 years commencing from 11 June 2018. No share options under the Share Option Scheme were granted, exercised, cancelled or lapsed during the Period. No share options were outstanding under the Share Option Scheme as at the beginning or end of the Period.

Should the Company decide to grant any share option under the Share Option Scheme, such grant(s) will be made in compliance with the amended Chapter 17 of the Listing Rules which took effect on 1 January 2023.

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.

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

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

SUFFICIENCY 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 and up to the date of this report as required under the Listing Rules.

CORPORATE GOVERNANCE AND OTHER INFORMATION (CONTINUED)

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 Group 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.

In the opinion of the Directors, the Company has complied, to the extent applicable and permissible with the code provisions set out in the Corporate Governance Code under Part 2 of Appendix C1 to the Listing Rules during the Period.

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 as set out in Appendix C3 of the Listing Rules. Having made specific enquiries, all Directors and relevant employees of the Group confirmed that they have complied with the Securities Code and the Model Code during the Period.

EXTERNAL AUDITOR AND AUDIT COMMITTEE REVIEWS

The unaudited condensed consolidated financial statements of the Group for the Period have been reviewed by the Group's external auditor, BDO Limited, in accordance with the 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, whose unmodified review report for the Period is included in this report.

The audit Committee of the Board (the "**Audit Committee**"), which comprises all of the three independent non-executive Directors, namely Mr. Tsang Ho Ka Eugene (Chairman of the Audit Committee), Mr. Liu Yi and Ms. Wang Wanjun, has reviewed and discussed with the management the Group's interim results for the Period and examined the unaudited condensed consolidated financial statements for the Period and this report. Members of the Audit Committee and BDO Limited agree with the accounting treatments adopted in the preparation of the unaudited condensed consolidated financial statements.

On behalf of the Board

XU Xingli

Chairman

29 August 2024

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS



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TO THE BOARD OF DIRECTORS OF STEVE LEUNG DESIGN GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial statements set out on pages 24 to 44 which comprise the condensed consolidated statement of financial position of Steve Leung Design Group Limited and its subsidiaries (collectively referred to as the “**Group**”) as of 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim condensed consolidated financial statements including material accounting policy information. 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 (“**HKICPA**”). The directors are responsible for the preparation and presentation of the interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on the interim condensed consolidated financial statements based on our review. This report is made 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 HKICPA. A review of these interim financial information 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 interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited

Certified Public Accountants

Lau Kin Tat, Terry
Practising Certificate no. P07676

Hong Kong, 29 August 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months period ended 30 June 2024

		Six months period ended	
		30 June	
		2024	2023
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	NOTES		
Revenue	3	164,514	158,444
Cost of sales		(100,583)	(98,024)
Gross profit		63,931	60,420
Other gains and losses		(2,937)	(1,228)
Impairment losses on trade receivables and contract assets under expected credit loss model	4	(5,390)	(9,758)
Other income		1,021	926
Selling expenses		(7,706)	(8,781)
Administrative expenses		(51,507)	(56,512)
Finance costs		(2,000)	(2,137)
Loss before taxation		(4,588)	(17,070)
Income tax expense	5	(2,786)	(705)
Loss for the period	6	(7,374)	(17,775)
<i>Other comprehensive expense that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(890)	(5,788)
Total comprehensive expense for the period		(8,264)	(23,563)
Loss for the period attributable to:			
— Owners of the Company		(6,139)	(17,331)
— Non-controlling interests		(1,235)	(444)
		(7,374)	(17,775)
Total comprehensive expense for the period attributable to:			
— Owners of the Company		(6,986)	(22,890)
— Non-controlling interests		(1,278)	(673)
		(8,264)	(23,563)
Loss per share (expressed in Hong Kong cents)			
Basic	7	(0.54)	(1.52)
Diluted	7	(0.54)	(1.52)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
	NOTES		
Non-current Assets			
Property, plant and equipment	8	12,493	13,211
Right-of-use assets	8	34,066	43,685
Intangible assets		1,464	1,668
Goodwill		1,182	1,187
Deposits paid for acquisition of property, plant and equipment	10	3,257	3,269
Rental deposits	10	5,413	5,419
Deferred tax assets		50,895	52,393
		108,770	120,832
Current Assets			
Inventories		31	50
Trade receivables	9	151,672	136,106
Other receivables, deposits and prepayments	10	9,769	9,136
Contract assets	11	94,405	80,171
Tax recoverable		590	734
Pledged bank deposits	15	–	211
Restricted bank balances	15	2,265	1,723
Bank balances and cash		99,562	148,892
		358,294	377,023
Current Liabilities			
Trade payables	12	37,373	43,914
Other payables and accrued charges	12	19,448	20,684
Bank borrowings	13	20,000	30,000
Lease liabilities		17,806	20,232
Contract liabilities	11	20,402	15,103
Tax liabilities		20,987	20,516
		136,016	150,449
Net Current Assets		222,278	226,574
Total Assets less Current Liabilities		331,048	347,406
Capital and Reserves			
Share capital	14	11,414	11,414
Reserves		286,138	293,124
Equity attributable to owners of the Company		297,552	304,538
Non-controlling interests		10,242	11,520
Total Equity		307,794	316,058
Non-current Liabilities			
Deferred tax liabilities		5,021	6,314
Lease liabilities		18,233	25,034
		23,254	31,348
		331,048	347,406

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months period ended 30 June 2024

	Attributable to owners of the Company									
	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange reserve	Long-term employee benefit reserve	Shareholder's contribution	Retained profits	Total	Non-controlling interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Note (a))	(Note (b))	(Note (c))		(Note (d))	(Note (e))			
At 1 January 2023 (audited)	11,414	258,224	(112,360)	7,171	(16,835)	12,964	43,119	122,724	326,421	12,784
Loss for the period	-	-	-	-	-	-	-	(17,331)	(17,331)	(444)
Exchange difference arising on translation of foreign operations	-	-	-	-	(5,559)	-	-	-	(5,559)	(229)
Total comprehensive expense for the period	-	-	-	-	(5,559)	-	-	(17,331)	(22,890)	(673)
Transfer of reserves	-	-	-	253	-	-	-	(253)	-	-
At 30 June 2023 (unaudited)	11,414	258,224	(112,360)	7,424	(22,394)	12,964	43,119	105,140	303,531	12,111
At 1 January 2024 (audited)	11,414	258,224	(112,360)	7,745	(19,877)	12,964	43,119	103,309	304,538	11,520
Loss for the period	-	-	-	-	-	-	-	(6,139)	(6,139)	(1,235)
Exchange difference arising on translation of foreign operations	-	-	-	-	(847)	-	-	-	(847)	(43)
Total comprehensive expense for the period	-	-	-	-	(847)	-	-	(6,139)	(6,986)	(1,278)
Transfer of reserves	-	-	-	309	-	-	-	(309)	-	-
At 30 June 2024 (unaudited)	11,414	258,224	(112,360)	8,054	(20,724)	12,964	43,119	96,861	297,552	10,242

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)*For the six months period ended 30 June 2024*

Notes:

(a) Share premium included

(i) the difference between the nominal amount of the share capital issued by Steve Leung Design Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) 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**”); and

(ii) the share premium arising from the issuance of new shares upon the exercise of share options under share option scheme.

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

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

(d) The amount represents the recognition of the equity settled long-term employee benefit scheme of a subsidiary of the Company in respect of “Share-linked Bonus and Share Conversion Scheme” (the “**Conversion Scheme**”) and share option scheme, details of share options scheme is set out in note 18.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months period ended 30 June 2024*

	Six months period ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	17,204	9,404
(Increase) decrease in trade receivables	(10,770)	6,237
(Increase) decrease in other receivables, deposits and prepayments	(627)	6,264
Increase in contract assets	(24,438)	(16,128)
Decrease in trade payables	(6,541)	(12,845)
Decrease in other payables and accrued charges	(3,476)	(9,019)
Increase (decrease) in contract liabilities	4,564	(6,430)
Decrease (increase) in inventories	19	(7)
Income taxes paid	(2,022)	(4,755)
NET CASH USED IN OPERATING ACTIVITIES	(26,087)	(27,279)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,596)	(1,188)
Decrease (increase) in pledged bank deposits	211	(208)
Increase in restricted bank balances	(542)	–
Additions to intangible assets	(2)	(79)
Interest received	155	175
Proceeds from disposal of property, plant and equipment	80	4
NET CASH USED IN INVESTING ACTIVITIES	(1,694)	(1,296)
FINANCING ACTIVITIES		
Repayments of bank borrowings	(160,000)	(60,000)
Repayments of lease liabilities	(9,535)	(9,922)
Finance costs paid for lease liabilities	(856)	(1,026)
Interest paid	(1,144)	(1,111)
New bank borrowings raised	150,000	60,000
NET CASH USED IN FINANCING ACTIVITIES	(21,535)	(12,059)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(49,316)	(40,634)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	148,892	153,338
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(14)	(1,275)
CASH AND CASH EQUIVALENTS AT END OF PERIOD, REPRESENTED BY BANK BALANCES AND CASH	99,562	111,429

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months period ended 30 June 2024

1. GENERAL INFORMATION AND BASIS OF PREPARATION

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 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 ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institutes of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange.

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

2. MATERIAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from the application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months period ended 30 June 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2023.

APPLICATION OF AMENDMENTS TO HKFRSs

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised)
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of 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 2024***2. MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.1 IMPACTS ON APPLICATION OF AMENDMENTS****Amendments to HKAS 1 Classification of Liabilities as Current or Non-current, Non-current Liabilities with Covenants and related amendments to Hong Kong Interpretation 5 (Revised) (“HK int 5 (Revised)”)**

Amendments made to HKAS 1 *Presentation of Financial Statements* in 2020 and 2022 clarified that liabilities are classified as current or non-current, depending on the rights that exist at the end of the reporting period.

Classification is unaffected by the entity's expectations or events after the reporting date (for example, the receipt of a waiver or a breach of covenant).

Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

The amendments require disclosures if an entity classifies a liability as non-current and that liability is subject to covenants with which the entity must comply within 12 months of reporting date. The disclosures include:

- the carrying amount of the liability;
- information about the covenants; and
- facts and circumstances, if any, that indicate that the entity might have difficulty complying with the covenants.

The amendments also clarify what HKAS 1 means when it refers to the 'settlement' of a liability. Terms of a liability that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instrument can only be ignored for the purpose of classifying the liability as current or non-current if the entity classifies the option as an equity instrument. However, conversion options that are classified as a liability must be considered when determining the current/non-current classification of a convertible note.

The amendments must be applied retrospectively in accordance with the normal requirements in HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

HK int 5 (Revised) has incorporated the references to Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* and Amendments to HKAS 1 *Non-current Liabilities with Covenants*. This Interpretation has been updated to incorporate the references to these amendments, but its conclusions are not impacted by these amendments.

These amendments had no impact on the condensed consolidated financial statements of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*For the six months period ended 30 June 2024***2. MATERIAL ACCOUNTING POLICIES (CONTINUED)****2.1 IMPACTS ON APPLICATION OF AMENDMENTS (CONTINUED)****Amendments to HKFRS 16 Lease Liability in a Sale and Leaseback**

The HKICPA finalised narrow-scope amendments to the requirements for sale and leaseback transactions in HKFRS 16 *Leases* which explain how an entity accounts for a sale and leaseback after the date of the transaction.

The amendments specify that, in measuring the lease liability subsequent to the sale and leaseback, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use that it retains. This could particularly impact sale and leaseback transactions where the lease payments include variable payments that do not depend on an index or a rate.

These amendments had no impact on the condensed consolidated financial statements of the Group.

Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The HKICPA issued amendments to HKAS 7 and HKFRS 7 to require specific disclosure about supplier finance arrangements ("**SFAs**"). The amendments respond to investors that said that they urgently needed more information about SFAs to be able to assess how these arrangements affect an entity's liabilities, cash flows and liquidity risk.

To meet investors' needs, the new disclosures will provide information about:

- (1) The terms and conditions of SFAs.
- (2) The carrying amount of financial liabilities that are part of SFAs, and the line items in which those liabilities are presented.
- (3) The carrying amount of the financial liabilities in (2), for which the suppliers have already received payment from the financial providers.
- (4) The range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements.
- (5) Non-cash changes in the carrying amounts of financial liabilities in (2).
- (6) Access to SFA facilities and concentration of liquidity risk with the finance providers.

Entities will be required to aggregate the information that they provide about SFAs. However, entities should disaggregate information about terms and conditions that are dissimilar, disclose explanatory information where the range of payment due dates is wide, and disclose the type and effect of non-cash changes that are needed for comparability between periods.

These amendments had no impact on the condensed consolidated financial statements of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*For the six months period ended 30 June 2024***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, and trading income from trading of interior decorative products.

An analysis of the Group's revenue for the six months period ended 30 June 2024 and 30 June 2023 are as follows:

	Six months period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Service revenue	128,032	123,209
License fee revenue	742	1,376
Trading income	35,740	33,859
	164,514	158,444

The operating business units are identified based on internal reports of the Group that are regularly reviewed by the Company's chief operating decision maker, i.e. the executive directors of the Company, for the purpose of allocating resources to segments and assessing their performance.

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

1. SLD (Steve Leung Design): Provision of interior design services and licensing arrangement under all "Steve Leung" related brands, which mainly focus on the residential market.
2. SLL (Steve Leung Lifestyle): Provision of interior decorating and furnishing design services and trading of interior decorative products under "Steve Leung" related brands, which mainly focus on the residential market.
3. JHD (Jangho Design): Provision of interior design services, interior decorating and furnishing design services and trading of interior decorative products under "Jangho" brand, which mainly focus on the hospitality and commercial projects in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

	SLD HK\$'000	SLL HK\$'000	JHD HK\$'000	Total HK\$'000
Six months period ended 30 June 2024				
(unaudited)				
Geographical markets				
Hong Kong	5,855	347	–	6,202
PRC	76,375	38,595	25,120	140,090
Other regions	17,581	641	–	18,222
	<u>99,811</u>	<u>39,583</u>	<u>25,120</u>	<u>164,514</u>
Timing of revenue recognition				
Over time				
Service revenue	<u>99,069</u>	<u>5,613</u>	<u>23,350</u>	<u>128,032</u>
At point in time				
License fee revenue	742	–	–	742
Trading income	–	33,970	1,770	35,740
	<u>742</u>	<u>33,970</u>	<u>1,770</u>	<u>36,482</u>
	<u>99,811</u>	<u>39,583</u>	<u>25,120</u>	<u>164,514</u>
	SLD HK\$'000	SLL HK\$'000	JHD HK\$'000	Total HK\$'000
Six months period ended 30 June 2023				
(unaudited)				
Geographical markets				
Hong Kong	7,432	3,883	–	11,315
PRC	81,015	33,507	24,819	139,341
Other regions	7,714	74	–	7,788
	<u>96,161</u>	<u>37,464</u>	<u>24,819</u>	<u>158,444</u>
Timing of revenue recognition				
Over time				
Service revenue	<u>94,785</u>	<u>3,605</u>	<u>24,819</u>	<u>123,209</u>
At point in time				
License fee revenue	1,376	–	–	1,376
Trading income	–	33,859	–	33,859
	<u>1,376</u>	<u>33,859</u>	<u>–</u>	<u>35,235</u>
	<u>96,161</u>	<u>37,464</u>	<u>24,819</u>	<u>158,444</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

SEGMENT REVENUE AND RESULTS

	SLD HK\$'000	SLL HK\$'000	JHD HK\$'000	Total HK\$'000
For the six months period ended 30 June 2024 (unaudited)				
<i>Revenue</i>				
Segment revenue	101,011	42,202	25,186	168,399
Inter-segment revenue	(1,200)	(2,619)	(66)	(3,885)
Segment revenue from external customers	99,811	39,583	25,120	164,514
<i>Gross profit</i>	45,420	12,175	6,336	63,931
Selling expenses	(4,458)	(1,037)	(2,211)	(7,706)
Administrative expenses	(33,114)	(14,799)	(3,594)	(51,507)
Impairment losses on trade receivables and contract assets under expected credit loss model	(2,721)	2,868	(5,537)	(5,390)
Other operating income (expenses)	197	110	(2,223)	(1,916)
Finance costs	(1,896)	(91)	(13)	(2,000)
Profit (loss) before taxation	3,428	(774)	(7,242)	(4,588)
	SLD HK\$'000	SLL HK\$'000	JHD HK\$'000	Total HK\$'000
For the six months period ended 30 June 2023 (unaudited) (re-presented)				
<i>Revenue</i>				
Segment revenue	99,510	39,708	24,893	164,111
Inter-segment revenue	(3,349)	(2,244)	(74)	(5,667)
Segment revenue from external customers	96,161	37,464	24,819	158,444
<i>Gross profit</i>	42,882	10,096	7,442	60,420
Selling expenses	(5,472)	(599)	(2,710)	(8,781)
Administrative expenses	(36,478)	(15,901)	(4,133)	(56,512)
Impairment losses on trade receivables and contract assets under expected credit loss model	(6,633)	(1,704)	(1,421)	(9,758)
Other operating (expenses) income	(640)	71	267	(302)
Finance costs	(1,854)	(260)	(23)	(2,137)
Loss before taxation	(8,195)	(8,297)	(578)	(17,070)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2024

4. IMPAIRMENT LOSSES ON TRADE RECEIVABLES AND CONTRACT ASSETS UNDER EXPECTED CREDIT LOSS MODEL

	Six months period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net impairment losses recognised (reversed) in respect of		
— trade receivables	(4,527)	8,255
— contract assets	9,917	1,503
	5,390	9,758

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 2024 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023.

5. INCOME TAX EXPENSE

	Six months period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	—	—
PRC Enterprise Income Tax	2,753	5,245
	2,753	5,245
(Over) under provision in prior years:		
Hong Kong Profits Tax	—	—
PRC Enterprise Income Tax	(5)	56
	(5)	56
Deferred taxation	38	(4,596)
	2,786	705

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, tax losses and unrealised profits.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2024

6. LOSS FOR THE PERIOD

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

	Six months period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Amortisation of intangible assets		
— included in cost of sales	71	87
— included in administrative expenses	128	137
	199	224
Cost of inventories recognised as an expense	24,845	24,322
Depreciation of property, plant and equipment	2,263	2,874
Depreciation of right-of-use assets	9,935	10,843
Exchange loss, net	777	415
Interest income from banks	(155)	(175)
Interest on bank borrowings	1,144	1,111
Interest on lease liabilities	856	1,026
(Gain) loss on disposals of property, plant and equipment	(80)	358
Loss on lease termination	—	469
Gain on lease modification	—	(14)
Grants received from local government (Note 1)	(28)	(276)
PRC incentive rebates (Note 2)	(54)	(43)
Provision for litigations (Note 3)	2,240	—

Notes:

- 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.
- The amounts represent certain incentive to attract foreign investments from the relevant PRC local authorities in the form of incentive rebates in Tianjin, the PRC.
- During the Period, the Group has encountered two legal disputes involving restricted bank balances. These disputes have been treated as follows:
 - A PRC subsidiary of the Group has a contractual dispute related to interior decorating and furnishing services provided to a client. The legal proceedings for this case are approaching their final judgment. The Group's internal assessment indicates a substantial likelihood of the need for compensation to such client. Consequently, the case has been recognised a provision with an estimated liability of approximately RMB1,566,000 (equivalent to approximately HK\$1,697,000). As at 30 June 2024, a bank account of approximately RMB1,566,000 was frozen due to the dispute.
 - A PRC subsidiary of the Group has a labour dispute related to compensation to a former employee. The dispute has already been resolved through a labour and personnel dispute arbitration committee, resulting in an estimated liability of approximately RMB501,000 (equivalent to approximately HK\$543,000). As at 30 June 2024, a bank account of approximately RMB501,000 was frozen due to the case.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2024

7. LOSS PER SHARE

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

	Six months period ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purposes of basic and diluted loss per share	<u>(6,139)</u>	<u>(17,331)</u>
	Six months period ended 30 June	
	2024	2023
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,141,401,000</u>	<u>1,141,401,000</u>

The computation of diluted loss per share for the six months period ended 30 June 2024 and 30 June 2023 did not assume the conversion of the Company's outstanding share options since their assumed exercise would result in a decrease in loss per share for the period.

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

During the six months period ended 30 June 2024, the Group acquired property, plant and equipment of HK\$1,596,000 (six months period ended 30 June 2023: HK\$2,463,000).

During the six months period ended 30 June 2024, the Group did not enter into new lease arrangements.

During the six months period ended 30 June 2023, the Group entered into new lease arrangements for the use of properties ranging from 2 to 3 years and recognised right-of-use assets of HK\$27,946,000 and lease liabilities of HK\$27,946,000 on lease commencement. The Group early terminated two leases of lease liabilities amounting to HK\$4,708,000, and a corresponding adjustment was made to the right-of-use assets for HK\$4,461,000; and modified one lease of lease liability amounting to HK\$283,000, and a corresponding adjustment was made to right-of-use asset for HK\$269,000 during the six months period ended 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2024

9. TRADE RECEIVABLES

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Trade receivables	177,782	156,284
Less: allowance for credit losses	(56,676)	(59,431)
Trade receivables (net carrying amount)	121,106	96,853
Unbilled receivables (Note)	60,921	71,654
Less: allowance for credit losses	(30,355)	(32,401)
Unbilled receivables (net carrying amount)	30,566	39,253
	151,672	136,106

Note: Unbilled receivables primarily relate to the Group's unconditional right to consideration for work completed in achieving specified milestones as stipulated in the contracts but the related invoices have not yet been issued as at the period end.

Included in the carrying amount of trade receivables as at 30 June 2024 is an amount of HK\$13,186,000 (31 December 2023: HK\$11,747,000) due from related parties controlled by a controlling shareholder of the Company.

The following is an ageing 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 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
0 to 30 days	30,093	32,119
31 to 90 days	13,120	19,275
91 to 180 days	29,363	9,905
181 days to 1 year	17,631	5,597
Over 1 year	30,899	29,957
	121,106	96,853

There is no credit period given on billing for clients of the Group.

As at 30 June 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$121,106,000 (31 December 2023: HK\$96,853,000) which are past due as at the reporting date. Out of the past due balances, HK\$77,893,000 (31 December 2023: HK\$45,459,000) have been past due more than 90 days and are not considered as in default since the amounts are still considered as recoverable based on historical experience and forward-looking estimates. As at 30 June 2024, the Group's trade receivables of HK\$7,050,000 (31 December 2023: HK\$7,120,000) are collateralised by certain PRC properties of clients, of which HK\$7,050,000 (31 December 2023: HK\$7,120,000) are related to debtors with balances due over 1 year.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2024

9. TRADE RECEIVABLES (CONTINUED)

The basis of determining the inputs and assumptions and the estimation techniques for the assessment of the impairment losses under expected credit loss model used in the condensed consolidated financial statements for the six months period ended 30 June 2024 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Other receivables	4,802	4,834
Value-added tax recoverable	1,049	1,281
Prepayments of expenses	3,273	2,451
Rental deposits	5,415	5,421
Deposits paid for acquisition of property, plant and equipment	3,257	3,269
Other deposits	643	568
	18,439	17,824
Analysed as:		
Current	9,769	9,136
Non-current — Deposits paid for acquisition of property, plant and equipment	3,257	3,269
Non-current — Rental deposits	5,413	5,419
	18,439	17,824

11. CONTRACT ASSETS AND CONTRACT LIABILITIES

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Contract assets		
Interior design services	131,907	107,525
Interior decorating and furnishing services	6,839	7,078
Less: allowance for credit losses	(44,341)	(34,432)
	94,405	80,171

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 satisfying respective performance obligations as at the reporting date in respect of the design services. The contract assets are transferred to trade receivables when the rights become unconditional, which is typically at the time the Group achieve specified milestones as stipulated in the contracts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2024

11. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

Included in the carrying amount of contract assets as at 30 June 2024 is an amount of HK\$1,177,000 (31 December 2023: HK\$1,122,000) from related parties controlled by a controlling shareholder of the Company.

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Contract liabilities		
Interior design services	10,494	6,529
Interior decorating and furnishing services	9,908	8,574
	<u>20,402</u>	<u>15,103</u>

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

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

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

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
0 to 180 days	19,155	32,262
Over 180 days	18,218	11,652
	<u>37,373</u>	<u>43,914</u>

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

	At 30 June 2024 HK\$'000 (Unaudited)	At 31 December 2023 HK\$'000 (Audited)
Accrued staff benefits	9,082	13,859
Deposits received from clients	549	—
Other payables and accrued charges (Note)	9,817	6,825
	<u>19,448</u>	<u>20,684</u>

Note: As at 30 June 2024, the Group has recognised the provision for estimated liabilities due to the legal disputes totaling approximately RMB2,067,000 (equivalent to approximately HK\$2,265,000). Details of the disputes are set out in note 6.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2024

13. BANK BORROWINGS

	At 30 June 2024 HK\$'000 (Unaudited) 20,000	At 31 December 2023 HK\$'000 (Audited) 30,000
Unsecured		
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	20,000	30,000

As at 30 June 2024, included in the Group's borrowings are variable-rate borrowings of HK\$20,000,000 (31 December 2023: HK\$30,000,000) carrying interest of 3.75% (31 December 2023: ranging from 3.25% to 3.75%) per annum over Hong Kong Interbank Offering Rate.

14. SHARE CAPITAL

	Number of shares	HK\$
Ordinary shares of the Company of HK\$0.01 each		
Authorised		
At 1 January 2023 (audited), 31 December 2023 (audited) and 30 June 2024 (unaudited)	4,000,000,000	40,000,000
Issued and fully paid		
At 1 January 2023 (audited), 31 December 2023 (audited) and 30 June 2024 (unaudited)	1,141,401,000	11,414,010

15. PLEDGE OF ASSETS AND RESTRICTED BANK BALANCES

As at 30 June 2024, no bank deposit (31 December 2023: HK\$211,000 was pledged to a bank to secure a performance bond) was pledged to any bank.

As at 30 June 2024, the restricted bank balances amounted to HK\$2,265,000 (31 December 2023: HK\$1,723,000), which was due to legal disputes, details of which are set out in note 6.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2024

16. 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	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Fellow subsidiaries	Interior design service income	3,610	1,973
	Rental expense	–	755
	Acquisition of property, plant and equipment	30	–

COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	Six months period ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Basic salaries, allowance and other benefits	7,430	7,552
Discretionary bonus	405	497
Retirement benefits scheme contributions	311	300
	8,146	8,349

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

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the condensed consolidated statement of financial position approximate their respective fair values.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)*For the six months period ended 30 June 2024***18. SHARE-BASED PAYMENT TRANSACTIONS****EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY**

The share option scheme was adopted pursuant to a resolution passed on 11 June 2018 (the “**Scheme**”) for the purpose of recognising the contribution of certain senior management, employees, consultants and other contributors of the Group (the “**Participants**”) that have made or may have been made to the growth of the Group. Under the Scheme, the Board may grant options to Participants, including directors of the Group, 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 Scheme; (ii) the entitlement of dividend rights and shares of SLDL of the eligible participants under the Conversion Scheme was replaced by the share options granted to them; and (iii) all the rights, benefits and claims of the eligible participants under the Conversion Scheme were terminated.

At 30 June 2024, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 28,694,400 (31 December 2023: 28,694,400), representing 2.51% (31 December 2023: 2.51%) 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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months period ended 30 June 2024

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

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

Date of grant	Exercise price HK\$	Exercise period	Outstanding at	Exercised	Forfeited	Outstanding at
			1 January 2023	during the period	during the period	31 December 2023 and 30 June 2024
5 July 2018	0.44	05/07/2018-30/6/2024	5,592,840	–	–	5,592,840
		05/07/2019-30/6/2024	5,592,840	–	–	5,592,840
		05/07/2020-30/6/2024	5,739,360	–	–	5,739,360
		05/07/2021-30/6/2024	5,884,680	–	–	5,884,680
		05/07/2022-30/6/2024	5,884,680	–	–	5,884,680
			<u>28,694,400</u>	<u>–</u>	<u>–</u>	<u>28,694,400</u>
Weighted average exercise price			HK\$0.44	HK\$0.44	HK\$0.44	HK\$0.44

During the year ended 31 December 2018, 30,483,600 options were granted as a replacement of the Conversion Scheme on 5 July 2018. The estimated fair values of the options granted and the fair values of the shares awarded under the Conversion Scheme and cancelled on date of replacement are HK\$23,569,000 and HK\$23,185,000, respectively. The Company continues 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.

All expense of share options granted by the Company and shares awarded under the Conversion Scheme were fully recognised during the year ended 31 December 2022.